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British budget in detail, Pages 10-23

World news

Gemayel seeks Syrian help

Lebanese President Amin Gemayel, unable to control sectarian violence ignited by a revolt of Christian militants, went to Damascus to seek the help of his Syrian counterpart.

Clashes erupted in townships overlooking the port city of Sidon. The fighting between the Lebanese army, Shia Moslems and Sunni elements on one side and the Lebanese forces or Christian militias on the other, is the first outbreak of serious trouble in the region since Israeli troops left it on February 16.

The Lebanese Forces gave residents of the eastern suburbs of Sidon two hours to leave, causing an exodus of some 20,000 Moslems. Page 3

Baghdad rocked

The centre of Baghdad was rocked by another large explosion, the fourth in six days, but fighting on the southern front of the Gulf war appeared almost at a standstill following Iraq's containment of the latest Iranian offensive. Page 3

Reagan pledge

President Ronald Reagan promised to help Argentina tackle its economic and financial problems but made no commitments to any specific new form of U.S. aid when he met President Raul Alfonsin at the White House. Page 24

Bonn steel plea

The leader of West Germany's metalworkers' union, Hans Mayr, called on the Government to form a holding company to take charge of the country's mainly private steel industry.

S. Africa unrest

Black organisers of a strike in Port Elizabeth said their homes were petrol-bombed, as the death toll in five days of protests in South African black townships rose to 12. Page 3

Troops called in

Troops moved in to India's western city of Ahmedabad when fresh violence erupted after four people were killed in student protests.

Sri Lankans held

At least 60 Sri Lankans have been arrested in Italy and accused of selling heroin to raise money for Tamil secessionist groups in their country.

Peru bombing

Left-wing guerrillas bombed the home of Peru's Labour Minister in Lima, and 65 rebels died in rural clashes, as political violence intensified ahead of general elections.

Swiss blast

Two bomb blasts ripped through an aluminium plant in Martigny, Switzerland, causing an estimated $4m damage. An anonymous telephone caller warned the plant would be blown up only 10 minutes before the explosion.

Drug ring broken

A drug ring responsible for smuggling more than 60 tons of cocaine a year from South America has been smashed. U.S. attorney Peter Nunez said 81 people were arrested in places ranging from San Diego to Miami. In Belgium, police seized 12kg of cocaine with a street value of about $1.5m which was found in a luggage locker at a Brussels station.

El Salvador crash

A U.S.-supplied helicopter crashed in eastern El Salvador, killing one soldier and wounding two. The crash was reportedly caused by mechanical failure.

Business summary

IBM to stop making PC jr

IBM of the U.S., the world leader in computers, is to pull out of personal computer manufacture. It said it would complete its production schedule for the PC jr system in April when inventory is projected to be sufficient to meet demand from retail, large account and education customers. IBM will continue to manufacture PC jr cartridge programs, spare parts and some options.

WALL STREET: Renewed strength in broadcasting, technology and gold mining stocks spurred a 21.42 surge in the Dow Jones industrial average to 1271.09, the largest one-day rise since January 21. Trading volume was a heavy 119.95m shares. Section III

DOLLAR fell sharply in currency markets, closing in London at DM 3.274 (DM 3.34), SwFr 2.785 (SwFr 2.84), FFr 10.015 (FFr 10.195) and Y255.95 (Y259.85). On Bank of England figures the dollar's exchange index fell to 151.7 from 153.9. It closed in New York at DM 3.2355, SwFr 2.7325, FFr 9.8925 and Y253.80. Page 41

STERLING rose 3 cents against the dollar in London to close at $1.1365. It was also higher at DM 3.73 (DM 3.695), SwFr 3.1575 (SwFr 3.145), FFr 11.38 (FFr 11.3275) and Y291.5 (Y287.5). The pound's exchange rate index rose one point to 74.0. It closed in New York at $1.1610. Page 41

GOLD soared $19.25 on the London bullion market to close at $318.00. It was also higher in Zurich at $318.50. In New York the Comex April settlement was $328.80. Page 40

TOKYO stocks moved down as investors moved to the sidelines. The Nikkei-Dow market average lost 28.65 to 12,477.99. Section III

LONDON blue chips staged a late rally as sterling rose. The FT Ordinary index rose 2.1 to 997.5. Section III

BL, the British state-owned motor group, suffered a major setback in its recovery programme. The group increased its pre-tax loss to £73.2m ($82.8m) in 1984 against £67.1m previously. Page 7

BARKER & DOBSON, British confectionery group, announced sweeping management changes after discovering that 1984 will show a trading loss of about £1.5m ($1.74m) against market estimates of a £2m profit.

EEC declared its readiness to participate in launching a new round of multilateral trade negotiations. Earlier story, Page 4

BARRATT DEVELOPMENTS, UK's biggest housebuilder, reported a £15m ($16.8m) fall in first-half pre-tax profits to £4.1m. Page 25; Details, Page 28; Lex, Page 24

LIAT, the Antigua-based airline owned by the governments of the Eastern Caribbean, is to buy a second pair of Super-748 turboprop aircraft from British Aerospace worth $11m.

WEST GERMAN industrial investment this year is likely to exceed forecasts, buoyed by improved earnings in 1984, according to the Bundesbank's March report. Page 24

ATLANTIC RICHFIELD, the Los Angeles-based oil group, has become the latest U.S. oil company to seek shareholder approval for a number of anti-takeover measures. Page 25

CONTINENTAL AIRLINES of the U.S., which 18 months ago filed for protection from its creditors, has won approval from a Houston bankruptcy court for a severely scaled-down version of its expansion proposals. Page 25

GENTING BERHAD, the Malaysian casino, hotel and plantation group, reported another record with pre-tax profits up by more than 20 per cent to 182m ringgit ($72m) for the year ending December. Page 26

UK budget tightens financial reins and aims to boost jobs

BY OUR ECONOMICS STAFF IN LONDON

MR NIGEL LAWSON, Britain's Chancellor of the Exchequer, yesterday brought in a budget for the 1985-86 financial year which he said was designed to continue the UK's fight against inflation and attack "the scourge of unemployment."

Describing it as "my budget for jobs," Mr Lawson announced a series of measures designed to increase work training for the young and to encourage low-paid employment.

He made net tax cuts of £750m ($825m) – less than half the figure envisaged at the end of last year. Blaming the miners' strike which ended this month for a substantial overrun in the 1984-85 public sector borrowing requirement (PSBR), he said: "For the coming year, a substantial reduction in the PSBR must take precedence over our objectives for reducing the burden of tax."

He added: "Lower taxes can only be achieved by the firmest possible control of public expenditure."

Mr Lawson set a target of £7bn, or 2 per cent of gross domestic product, for April 1985-March 1986, compared with his forecast of £10½bn for 1984-85 – £3¼bn higher than his original target.

"All but £½bn of the substantial overrun is directly attributable to the cost of the coal strike," he said.

Mr Lawson blamed the year-long strike for a reduction in this financial year's national output of over 1¼ per cent and a worsening in the balance of payments of some £4bn. "It has cost us confidence abroad and jobs at home," he said.

He forecast that Britain was "now about to embark on a fifth successive year of steady growth, with output set to rise by 3½ per cent." He said it was "a remarkable tribute to the underlying strength of the British economy that it has been able to withstand so long and damaging a strike in such good shape."

He added, however, that while there was no disputing the strength and durability of the economic upswing, "there is equally no disputing the fact that it is marred by an unacceptably high level of unemployment." The rate of unemployment in Britain is 13 per cent of the workforce, or over 3.1m.

Continued on Page 24

MAIN POINTS

ECONOMIC FORECASTS: Public sector borrowing requirement for 1984-85 likely to be £10½bn, £3¼bn higher than target, mainly because of the pit strike. Target for 1985-86, £7bn. Extra £2bn added to public spending reserves for each of the next three years. Money supply targets for 1985-86 stay at 3 to 7 per cent for Mo and 5 to 9 per cent for M3. Inflation to rise to 6 per cent in mid-1985 but fall to 5 per cent at year-end and less in 1986. Output to rise by 3½ per cent in 1985.

INDUSTRY: Companies to be allowed to finance themselves by a series of issues of short-term securities. Development land tax abolished. New system of capital allowances to allow full write-off of short-life assets. Business expansion scheme to include companies formed to carry out research and development. Immediate petroleum revenue tax for onshore exploration and appraisal removed.

EMPLOYMENT: Youth training scheme to be extended. Extra £40m programme for engineering and technology places in higher education. Extra 100,000 Community Programme places for unemployed by mid-1986. Employers' national insurance contributions for low-paid to be reduced, but increased for higher paid.

INCOME AND PERSONAL TAXES: Single person's basic rate threshold raised by £200 to £2,205 a year; married person's by £300 to £3,455. Higher thresholds raised by 4.6 per cent. Consultative document to be issued on reform of personal income tax system.

OTHER TAXES: 6p extra on 20 cigarettes, no increase on cigars or pipe tobacco; 1p to 2p on pint of beer, 1p on pint of cider; 6p on bottle of wine, 10p on sparkling and fortified wine and on spirits; 4p on gallon of petrol, 3½p on derv; some stamp duties to be abolished; VAT to be extended to newspaper and magazine advertising from May 1.

Details and analysis, Pages 10-23; Editorial comment, Page 22; Lex, Page 24

Dollar falls sharply and gold soars

BY PAUL TAYLOR IN NEW YORK AND PHILIP STEPHENS IN LONDON

THE DOLLAR fell sharply against other major currencies yesterday, reflecting nervousness about the stability of U.S. savings institutions and a generally more bearish reassessment of U.S. economic prospects.

Sterling was a major beneficiary of the dollar's decline, advancing to $1.160 at the close in New York after closing in London at $1.1365, where it had finished on Monday at $1.1065.

By the close in New York, the dollar had also fallen to DM 3.2355 (against DM 3.274 in London and DM 3.34 on Monday), FFr 9.8925 (against FFr 10.015 and FFr 10.195), SwFr 2.7325 (against SwFr 2.785 and SwFr 2.84), and Y253.80 (against Y255.95 and Y259.85).

Gold staged its biggest one-day rise for more than two years, adding $19.25 in London to $318.00 an ounce, its best closing level for three months. It continued to advance in New York, breaching the $320 level by lunchtime. The Comex April settlement was $328.80, a rise of $25.

The pound's gains brought a steep fall in London money market interest rates, boosting hopes that the major banks may soon cut their base lending rates from the present 14 per cent.

Economists in the City of London welcomed the UK budget's tough stance on monetary and fiscal policy and predicted that it would underpin confidence in sterling and other financial markets.

The expectation and subsequent confirmation that Mr Nigel Lawson, Chancellor of the Exchequer, was sticking to tight monetary and fiscal policies and would pay close attention to the exchange rate also brought gains against European currencies. The sterling index rose by 1 point to 74, its highest level since December.

New York dealers suggested, however, that sterling's advance was mainly attributable to dollar weakness. They said the dollar sell-off was "widespread" and came amid continuing concern about the problems of the Ohio savings banks which remained closed yesterday.

They also noted that the New York foreign exchange markets were affected by new reports of deposit outflows at another U.S. financial institution, Financial Corporation of America (FCA), parent of the nation's largest savings and loan association.

Although they said most U.S. investors continued to believe that the Ohio savings bank crisis was manageable they noted that it had raised more fundamental concerns about the health of U.S. financial institutions.

New York traders described activity as "patchy," but also noted that "everyone" was selling the dollar.

Currencies, Page 41

Ministers struggle to agree Spanish fish deal

By Quentin Peel in Brussels

EEC foreign ministers were yesterday struggling to complete a package deal offer for the Spanish fishing industry, to provide limited access to the key areas of the North Sea and the waters around the Irish coast 10 years after Spain's planned accession to the Community.

Exhaustive negotiations on the fine details of the plan continued throughout the day, with Britain and Ireland holding out for maximum protection for their own fishing industries, while Spain has called for virtually immediate access to the disputed areas.

Officials expressed cautious optimism last night that agreement could be reached in spite of agonisingly slow progress on the issue, which remains the key obstacle in four days of marathon ministerial talks to complete the membership terms for Spain and Portugal.

The ministers have set themselves a deadline of tonight to complete the substance of the negotiations if they are to avoid referring all the remaining detail on agriculture, fisheries, finance and social affairs to the EEC summit at the end of next week. The deadline is also seen as the last moment for agreements in order to maintain the planned accession date of January 1 1986 for the new members.

The latest compromise offer by the Italian presidency of the Council of Ministers yesterday would allow Spanish boats access both to the Irish box of waters up to some 50 miles from the Irish coast and to the fishing zones of the North Sea after 1995.

The plan also provides for a doubling of the Spanish hake quota, in the waters they already fish – to the north and west of Britain and Ireland and in the Bay of Biscay, to some 18,000 tonnes.

Sir Geoffrey Howe, the British Foreign Secretary, who left the negotiations last night to return to London, said that "solid progress" had been made in the first three days.

"Everyone, including the Spanish, realises the importance of this very long and detailed negotiation," he said.

The six founder members of the EEC are hoping to speed progress towards European union by recommending abandonment of member states' formal veto right on Community decisions. Britain, Denmark, Greece and Ireland, the late entrants, are seeking to defend the right to block new moves. Page 24

Brazil to cut public spending by 10%

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL's new Government is to cut spending by 10 per cent across the board as part of a package of measures designed to hold down the growing public deficit.

The administration, which was sworn in last Friday, also announced:

- A freeze on hiring in all government departments and state-run enterprises to the end of the year. This applies to major state companies such as Petrobras, the oil company, and Siderbras, the steel holding company. It also means that the new ministries created by President Tancredo Neves will have to draw their staff from the existing payroll;
- A ban preventing federal banks such as the BNDES, the state development bank, from extending new loans for the next 60 days. During this period, surplus funds will have to be used for the purchase of Government bonds;
- Much stricter control over the servicing of foreign debt by state enterprises.

In addition the new civilian Government also announced that as a further economy measure it was halting all state-sponsored advertising for six months. Implemented strictly, this could have a significant impact on the fortunes of some newspapers and television stations.

Sr Joao Sayad, the new Planning Minister, said the package, announced late on Monday night, was not intended to have a recessive impact on the economy. He described it as a "house cleaning" exercise, normal at the beginning of any new Government.

The measures indicate that the Neves Government is determined to bring the over-inflated public sector under control as rapidly as possible.

They also give the Government a breathing space to prepare for more far-reaching measures which are expected to be discussed with the International Monetary Fund next month.

The budget cuts come on top of 15 per cent reductions, ordered by the former Figueiredo Government at the end of last year, on the Cr 82,300bn ($20bn) state budget for 1985.

Meanwhile, the central bank yesterday ordered the compulsory winding up of a troubled, medium-sized investment bank, Brasilinvest S.A., and an associated brokerage house whose principal shareholder, Sr Mario Garnero, is one of Brazil's best known businessmen.

The action against Brasilinvest follows last month's near failure of, and subsequent government intervention in, two major financial institutions, Sulbrasiliero and Habitasul. Sr Garnero was closely involved with these two Rio Grande do Sul-based groups with which he had attempted a merger of his own banks.

The liquidation of the remaining financial arms of Sr Garnero's Brasilinvest group leaves him with only his holding company and two industrial divisions, NEC du Brasil – taken over in 1982 from the Japanese telecommunications company – and Brasilinvest Participacoes.

The Brasilinvest commercial bank was sold to the privately-owned Brazilian BNG group earlier this year, when it became clear that the once high-flying Garnero group was in difficulties.

Sr Garnero gathered a distinguished board of directors for Brasilinvest including at one time, Mr George Shultz, the U.S. Secretary of State, and several of Brasil's leading businessmen. But his group grew too fast, and in recent months had been faced with increasing difficulties in meeting its liabilities.

Brazil and Algeria in barter deal, Page 4

Ohio Governor's savings bank rescue plan loses key vote

BY PAUL TAYLOR IN NEW YORK

OHIO'S privately insured savings banks remained closed yesterday as the first important signs of political opposition to the state Governor's partial rescue plan emerged. The Governor's proposals would require 70 savings banks to obtain federal deposit insurance coverage or prove eligibility before being allowed to reopen.

Separately, Mr Richard Celeste, Governor of Ohio, signed an executive order extending the three-day "bank holiday" closure of the state's non-federally insured thrifts until at least today. The Governor originally ordered the closing of the 71 savings banks on Friday after a run on their deposits prompted by this month's failure of Home State Savings, the largest of the privately insured savings banks.

Yesterday, the state Senate was meeting again in emergency session after rejecting a Bill already approved by Ohio's House of Representatives that endorsed Governor Celeste's plan. Senate objections to the plan centre on whether to make federal insurance mandatory but also reflect growing opposition from Republican politicians to the handling of the savings bank crisis by the state's Democratic Governor.

Republican Senators have also expressed the concern of Ohio's commercial banking leaders that a separate Bill, which would allow for the acquisition of Home State by an out-of-state commercial bank, might open the way for other interstate mergers.

The Senate's rejection might prove a serious setback to the proposals and further delay the reopening of some of the thrifts. The Ohio savings bank crisis has already had repercussions in the U.S. financial markets, where the dollar has come under selling pressure, and has caused hardship for the 500,000 individuals with accounts at the closed financial institutions.

The apparent political disagreements within Ohio emerged as Governor Celeste was due to fly to Washington to meet the Federal Home Loan Bank Board chairman, Mr Edwin Gray. Governor Celeste is seeking to persuade federal officials to speed up the normally slow procedure for applying for federal insurance.

So far, about 44 of the 70 Ohio privately insured saving banks are understood to have inquired about obtaining federal insurance, although only a handful are thought to have submitted formal applications.

A separate section of the Ohio House-approved Bill would provide for "emergency" partial withdrawals by depositors of up to $750 a month and access to social security and other automatically transferred funds made into the closed institutions.

Meanwhile, there is a growing consensus that the Ohio crisis will force Congress to consider abolishing private deposit insurance schemes while also strengthening existing federal insurance schemes.

The Federal Home Loan Bank Board and the Federal Deposit Insurance Corporation have already submitted proposals that would expand their enforcement powers and enable them to charge varying insurance policy premium rates according to risk.

CONTENTS

Joint ventures: a new Common Market vehicle

A. H. Hermann concludes that the proposed European Economic Interest Grouping is not a safe vehicle for joint ventures.

THERE IS a magic in names, of which primitive people are well aware. As a boy grows up he is given a new name to make his manhood evident and effective. Unfortunately, the magic does not work the other way round: a new name does not make a man out of a boy. Regrettably, the EEC Commission, in its laudable striving for European integration, sometimes forgets this.

The hope that a new, ambitious name might bring nearer the desired end by its psychological effect clearly inspired the fathers of the Treaty of Rome when they gave the title of "Economic Community" to an organisation primarily providing for agricultural subsidies and a customs union. A real common market will be achieved only after the non-tariff barriers are removed – a matter very much on the present agenda.

An equally important aspect of a community of mainly industrialised countries is the possibility for capital to flow freely throughout its territory to make best use of productive opportunities. In an economy dominated by corporations, this requires certain minimum standards of company law.

Using a salami tactic, the Commision has bravely tackled this task with a series of company law directives in the hope that harmonisation, slice-by-slice, will ultimately lead to a unification of European company law. It is still very far from this objective.

Apart from striving for company law unification, the Commission has been always very much interested in the possibility of a short cut: the creation of a corporation based not on national but on Community law. Such corporations would facilitate cross-border co-operation. Very large companies, such as Unilever, Shell and Agfa-Gevaert, do not seem to have any difficulty in achieving this, but the Commission thinks that medium-sized and small companies need some help.

Twenty years ago it adopted the idea of a European company that could be established in any member-state on the strength of Community law. A draft statute produced in 1970 envisaged that such companies would facilitate co-operation between existing national companies incorporated in different member states; the European companies would result from a merger or serve as a holding company or joint subsidiary of national companies.

For many years this project fascinated starry-eyed supporters of the European idea, and their very enthusiasm may well have killed it. The Commission insisted that, as with the West German model, the statute should provide for workers' representation on the supervisory board and for a powerful works council – provisions which other member-states were reluctant to adopt.

Moreover, the issue of taxation was never satisfactorily resolved, and although many European managers would have welcomed the harmonisation of taxation without a European company, they did not think much of a company which would be encumbered by unsolved problems of multinational taxation.

As the enactment of the statute of the European company became less probable, the Commission turned its attention to the more modest project of a European Economic Interest Grouping (EEIG) modelled on a form of association introduced in France in 1967. After consultations in the Economic and Social Committee of the Community and in the European Parliament, the Council Secretariat and the Commission published a provisional text in 1982 which now forms the basis of discussions between member-governments.

There seems to be a fair prospect that the Council will approve a regulation establishing the statute of the EEIG before the end of the Italian presidency in June of this year. Failing that, the regulation is likely to be made not later than next year.

The project was originally called European Co-operation Grouping, but apparently the French could not stomach the term "co-operation" because in their political mythology the word suggests agricultural or artisan co-operatives which no self-respecting industrialists would want to join.

The EEIG, as now proposed, can be best characterised as a business partnership which can sue and be sued but has no legal personality and whose profits and losses accrue directly to the members, of which two at least must be situated in different member-states.

Each EEIG would be registered in the country where it had its head office and it could apparently be moved from one country to another. Although the EEC regulation would provide for its winding up, any issues arising from the insolvency of the association or of its members would have to be regulated by the law of the state where it was registered.

The business of the EEIG should be no more than ancillary to the business of the partners forming the grouping. It might co-ordinate purchases, sales and research for its members, tender for contracts on their behalf, provide transport services, and even undertake manufacturing of component parts for the members. But in no case should it engage in independent manufacturing activities.

One sees immediately that unless the business of the members is very small indeed in relation to the total relevant market, the grouping is likely to smack of a cartel – particularly when engaging in joint purchasing and joint sales. Thus it would have to be notified to the Commission for clearance or exemption under the EEC competition rules.

As a result, the entire contract creating the EEIG, or at least a substantial part of it, would be potentially invalid right from the beginning. It would, therefore, only be realistic if the regulation creating it was accompanied by another granting to its prospective activities block exemption from the prohibition of cartels contained in Article 85 of the EEC Treaty.

The proposal also has other shortcomings. Smaller companies will find it difficult to know where they stand because the grouping will be a creation of EEC law, but in many important respects subject to national laws. And what if an "ambulant" grouping moves from one country to another?

An even greater deterrent from using the EEIG will be the provision, seen by the Commission as essential, that members are to be jointly and severall y liable for its debts. Anyone who has a claim against the EEIG would be able to ask for its entire satisfaction by any member of the grouping. This means that the obviously solvent members established in countries where the enforcement process is easy and relatively swift will be the first to be asked to pay up.

An English company could, perhaps, insulate itself by interposing between itself and the grouping a limited liability company created for this purpose. But it is questionable whether such a defence would stand up to the continental concept of an unacceptable "abuse of law."

In short, the EEIG may be of some use in countries where the formation of a limited company is a difficult or long process. It can hardly compete with the possibility of buying a ready-made limited company off the shelf which exists in the UK. In fact, the best solution would be if the EEC adopted the English concept of a private limited company.

BIS clears way for stronger Ecu role

By Peter Montagnon, Euromarkets Correspondent

THE LAUNCH of an international clearing system for bank deposits denominated in European Currency Units (Ecus) moved a step forward this month with a signal from the Basle-based Bank for International Settlements that it is ready in principle to act as central clearing agent.

The BIS has told a committee of commercial bankers which is working on the scheme that it has no policy objections to participating but that its formal approval rests on further clarification of two technical issues. As a result the chances are growing that the clearing system could become operational by the end of this year or early 1986.

Experts at the BIS, the central bankers' central bank, are now satisfied that participation in the scheme will not lead to it unwittingly becoming a lender of last resort in Ecus or hamper efforts of individual EEC countries to control their own money supply.

But they still want to see the results of feasibility studies on the computer system to be used by the clearing scheme before giving the final go-ahead. The commercial banks also have to form from within their number a group of designated clearing agents.

Bankers believe that the establishment of an international clearing system could enhance the development of the rapidly growing international banking market in Ecus. "Without it, the market would be handicapped," says M Dominique Rambure, the senior Credit Lyonnais executive who heads the committee of 18 commercial banks that has been promoting the scheme.

The choice of the BIS as the pivotal institution in the scheme raised a few eyebrows when it was first proposed last year. The BIS is not an EEC institution; nor does the role of commercial bank clearing house fall naturally within its charter.

But bankers say that the BIS is just about the only institution that could carry out the necessary role. It already has experience of clearing official Ecus for EEC central banks, it is a neutral body.

Without the BIS the commercial banks would have had to fall back on one of their own number to act as central clearing agent, but this would have been almost impossible given the competitiveness of the market. Or they would have had to create a new institution, a legally cumbersome and lengthy process.

Under the proposal between 25 and 40 banks will be designated as Ecu clearing banks. These must all be based in Europe although European branches of banks from other continents may be included. They will all maintain accounts with the BIS itself, in which they will hold working balances that the BIS will redeposit in separate national currencies with member central banks of the EEC.

Clearing will take place in two stages. First a computer system set up by the Society for Worldwide International Financial Telecommunication (Swift) will net out as far as possible transactions between individual clearing banks. Then the BIS will clear the remainder by adjusting the accounts held with it by each of the clearing banks.

The system is expected to be much more efficient than the present clearing operation which involves only five banks—Kredietbank and Societe Generale de Banque of Brussels, Lloyds Bank of London, Credit Lyonnais of Paris and Kredietbank Luxembourgeoise—and is carried out manually and by telephone.

But although the clearing system will help make the Ecu a permanent feature of the international financial scene, bankers caution against expectations that the system itself will lead to any dramatic upswing in business.

The BIS argued in a recent study that for this to happen the Ecu needs to extend its appeal geographically. Borrowers of Ecus are still heavily concentrated in France and Italy, while depositors come mainly from Benelux countries, it said.

Greek journalists attack report

ATHENS – The Athens journalists' union (ESIEA) said yesterday that an article by a Soviet correspondent rejecting Greek newspaper criticism of the recent visit by Mr Andreas Papandreou, the Prime Minister, to Moscow was "insulting and unethical."

The article by Mr Boris Koroliev, an Athens-based correspondent for the Soviet news agency Novosti, attacked Greece's conservative press for describing the visit as a failure.

The article, given prominent display last week in the Athens daily Ta Nea which supports the Socialist Government, said economic agreements reached during the Prime Minister's visit ensured "$500 dollars for every Greek, young and old, fisherman and housewife ... and even for you, correspondents of the independent press which uses freedom of the press granted by the Government to lie freely for the benefit of your masters." AP

German Protestants' joint plea

THE PROTESTANT churches of East and West Germany have issued a dramatic appeal to the two German states and the World War Two allies to reduce armaments and to halt the deployment of "new weapons systems." **Leslie Colitt reports from Berlin.**

In the first joint declaration since their split in 1969, the two churches called on their populations to remember that the present "burdens" were a result of World War Two and of "our guilt."

The statement was issued for the forthcoming 40th anniversary of Nazi Germany's defeat and is to be read from pulpits in East and West Germany on May 8. Nearly 8m East Germans are nominally Protestants while 1.2m are Catholics. West Germany has 33m members of Protestant churches and 27m Catholics.

The declaration said it was difficult to accept the reality of two German states but that the churches realised that maintaining peace had "priority over all else." It was also difficult, the churches said, to give up the organisational unity of the German Evangelical (Protestant) Church in 1969 but that this had been the only way to carry out their religious mission under the "existing social conditions."

The two churches praised the governments of East and West Germany for conducting a "sensible and cautious" policy toward each other.

They appealed to the war-time allies to come together again in a "policy of understanding" and called on them to take further steps to eliminate nuclear weapons.

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Robin Pauley explains why the OECD is optimistic on social spending cuts

Welfare spending crisis fears 'overstated'

THE CRISIS in future funding of the welfare state throughout the modern industrialised world has been overstated, according to a new analysis by the Organisation for Economic Co-operation and Development. So long as the share of gross domestic product taken by social expenditure is not allowed to increase further, it should not conflict with economic growth targets, the analysis says.

This will mean that social benefits will be able to grow in some countries, while others will have to contract further their social expenditure. "Overall [social] spending can at least grow with real economic growth—a finding that contrasts with the dire pessimism about the welfare state at the beginning of the 1980s," the report says.

It adds that the crisis of the welfare state is not just a matter of financing existing programmes but of assuring room for new challenges that are in the making. Imagination will be needed, it says, if the welfare state is to remain a creative instrument of modern society.

During the past 20 years, social expenditure has grown much more rapidly than national income throughout the OECD area and now averages about a quarter of GDP. Social spending accelerated throughout the high-growth years of the 1960s and early 1970s but failed to slow when the 1973-74 and 1979-80 oil shocks hit the national income growth rates of the major Western economies. As unemployment grew, particularly after the recession induced by the 1979-80 oil price rises, social expenditure pressures increased as several countries were forced to devote more of their national income to unemployment compensation costs.

Social expenditure is direct public expenditure on education, health services, pensions, unemployment compensation and other income maintenance and welfare services. It has been the fastest growing component of public expenditure: its share in the OECD area has risen from 47½ per cent in 1960 to around 58½ per cent in 1981.

The OECD report's definition excludes the large private sector aspect of social expenditure — private health care systems and their related insurance arrangements, private schools and universities, private pension, sick pay and disability insurance schemes and the flourishing charitable sectors.

The report forecasts that if the 1975-81 trend, under which average real benefits increased by an average 2.6 per cent per annum in the four main programes shown in the table were to continue, there would be a substantial rise in the proportion of GDP taken by social spending in France and Italy by 1990. In Canada, West Germany, Japan and the U.S. there would be only modest rises and in the UK there would be a slight fall.

This analysis is based on continuing generally slow growth of between 1.5 per cent a year (France, Italy and West Germany) and 3.5 per cent (Japan).

But to ensure that in 1990 social expenditure took exactly the same share of GDP as it did in 1981, Canada and Italy would have to cut the growth rate of their average real benefits and all the countries would be allowed only very modest growth, the highest being the UK which could stand a rate of 1.7 per cent.

If growth were higher than forecast but unemployment remained stable in all countries (except the U.S.) there would be substantially more room for real benefits to increase.

The report warns that although there is no basic need to fear for the future of the welfare state or to start winding down major social programmes, there are some dangers related to budgetary policies aimed at stabilising structural budget deficits. The burden of restraint has tended to fall on social programmes as policies have been introduced to decrease structural deficits.

The UK has been in structural surplus since 1981 and West Germany moved into surplus more recently. "If the major social programmes are to find any additional room for expansion in the future, this trend may need to be relaxed and in some countries even reversed," the OECD warns.

The organisation also warns states about moving too quickly on the urgent reforms of the welfare state which many are considering. "Reforming the welfare state has necessarily to be a long-term objective. Many people are dependent on welfare services and social security benefits and it would be unreasonable both to frustrate their expectations and to expect them to make alternative arrangements at relatively short notice. The aged would be particularly badly affected by hastily implemented reforms."

Some countries, notably Britain and West Germany, are becoming anxious about the pensions burden of the years 2010 to 2030, when those people born during the post-war baby boom start to retire. "The solution should perhaps be sought in the 1980s for implementation in the 1990s, since it inevitably implies a transition to a more flexible pension contract, with either lower benefits (possibly involving some adjustment of retirement age), higher contributions or some combination of the two."

As well as looking forward, the report examines in detail what has happened to social spending in many of the OECD states since 1960. Some widely held myths are destroyed. Sweden, for example, did not lead the league table for the proportion of GDP allocated to social spending in either 1960 or 1981. The Netherlands, Belgium, Austria, Italy and West Germany spent a higher proportion in 1960; The Netherlands and Belgium spent a higher level in the early 1980s. Four of the seven major states — Canada, Japan, the UK and the U.S. — spend a below-average proportion of GDP on the welfare state.

Britain does not have to spend more of GDP on unemployment compensation than anybody else —its 1.4 per cent in 1981 (seven times higher than 1960) is the same as West Germany and smaller than Canada, France, Belgium and Ireland.

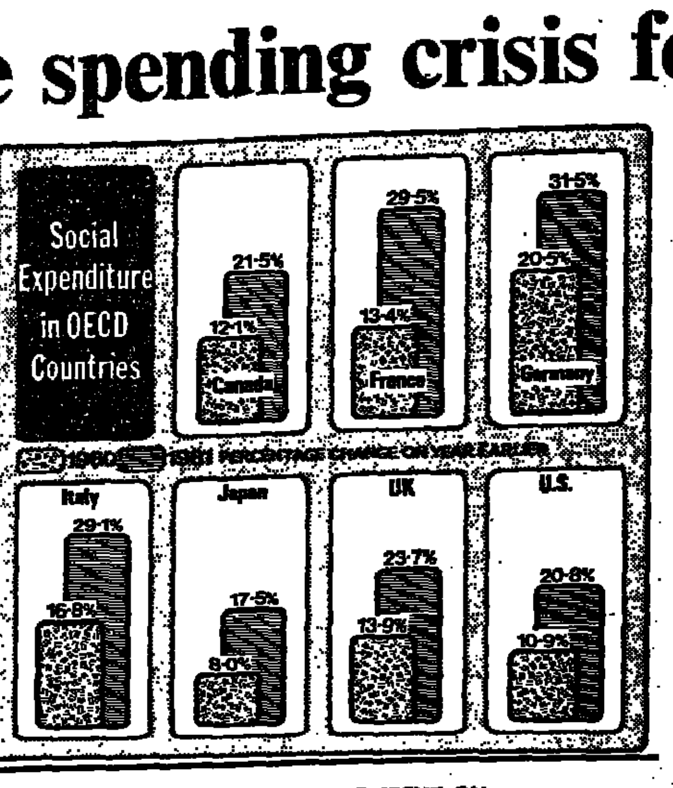
Other countries, however, fare much better. Japan's figure has moved from 0.3 per cent of GDP in 1960—higher than the UK, Germany and France—to 0.4 per cent in 1981. Norway, which has used its North Sea oil revenues to subsidise employment, has gone from only 0.2 per cent to 0.3 per cent. And the U.S. has managed to cut the proportion of GDP going on dole payments from 0.6 to 0.5 per cent.

Italy's welfare state is not poor, relatively. It spends more of its GDP on education and pensions than any of the other six major states and only France and Germany spend more on health.

There have been some interesting positional switches. In 1960 Finland spent the highest proportion on education, Britain and Sweden on health, and West Germany on pensions. By the 1980s Finland's education spending had fallen back as a proportion of GDP with Belgium at the top and Ireland, the Netherlands, Sweden and Italy all ahead of Finland.

On health, Sweden led in 1981 but its 1960s co-leader, Britain, lagged far behind with Ireland, the Netherlands, Norway, France, West Germany, Italy and Canada all having overtaken. Austria had replaced West Germany by 1981 for the proportion of national wealth spent on state pensions. In addition to Austria and West Germany, France, Italy, the Netherlands and Sweden all spend more than 10 per cent of GDP on pensions.

Social expenditure in Japan remains low by international standards, but its growth rate in this sector is at the upper end of the range for the major seven states. The UK is at the lower end, while Greece is likely to be joined by Spain and Portugal, not included in the analysis, at the upper end. These smaller southern European countries have small but expanding welfare sectors, supported by relatively high rates of economic growth.



PERCENTAGE OF GDP SPENT ON:

	Education 1960	Education 1981	Health 1960	Health 1981	Pensions 1960	Pensions 1981	Unemployment benefits 1960	Unemployment benefits 1981
Canada	3.0	6.2	2.4	5.6	2.8	4.6	1.5	2.3
France	*	5.7	2.5	6.5	5.9	11.9	0.2	1.9
W. Germany	2.4	5.2	3.1	6.5	9.8	12.5	0.1	1.4
Italy	3.7	6.4	3.2	6.0	5.5	13.2	0.2	0.7
Japan	4.0	5.0	1.3	4.7	1.4	4.8	0.3	0.4
U K	3.7	5.8	3.4	5.4	4.1	7.4	0.2	1.4
U.S.	3.6	5.5	1.3	4.2	4.2	7.4	0.6	0.5
Average†	3.8	5.9	2.5	5.6	4.6	8.5	0.5	1.2

* Unavailable. † Unweighted.

Source: derived from OECD statistics

EEC MINISTERS SEEK FORMULA TODAY

Car exhaust battle nears end

BY PAUL CHEESERIGHT IN BRUSSELS

ENVIRONMENT ministers of the European Community seek today an agreed formula to permit the introduction within the Community later this decade of strict new exhaust standards for cars.

Their meeting follows efforts to heal the rift between West Germany and the UK in particular on the rapidity of the changes to be introduced and the emission standards which ought to apply.

West Germany is seeking the adoption of emission standards followed in the U.S. from 1988-89; such a speedy introduction would mean the fixing to cars of the three-way catalytic converter.

The UK on the other hand seeks a more gradual approach for cars under the 2000 cc category allowing the development of new technology—the lean burn engine.

Just less than a fortnight ago, the ministers suspended discussions after 19 hours with general agreement that the way forward would be to delay the specification of precise norms but to settle a formula within which the specifications would be worked out.

The Commission is pressing for a plan which would seek agreement around standards not precisely equivalent to those in the U.S., but equivalent to them in their environmental effect.

On Monday the Commission had talks with the British Government and last Friday with the West German Government. Madame Huguette Bouchardeau, the French Environment Minister, has been in Bonn for talks. Contacts between the British and German governments have been made in the corridors of the foreign ministers meeting in Brussels.

This series of bilateral contacts in preparation for today's meeting reaches a climax this morning when the British and West German environment ministers start discussions.

The Commission classified its talks with Bonn as "very positive." but Britain has been making it clear that there can be no agreement unless Bonn drops what is seen as a rigid line in the discussions.

Bonn is anxious for a quick decision around a solution which would allow the rapid introduction of a catalytic converter and plans financial incentives to encourage motorists to buy environmentally "clean" cars from July 1.

The key difference between Bonn and London is on the standards and timing for their introduction for cars in the 1400 cc-2000 cc category.

London wants Bonn to relax its attitude on the timing or to permit the introduction of emission standards which could be met by the introduction of lean-burn engines.

Once a formula for the standards is found then the way will be open for the ministers to agree on guidelines for the introduction of fiscal incentives to encourage the purchase of "clean" cars.

The guidelines would be expected to state that cars purchased would meet the required emission standard, that the size of the incentive would not be greater in value than the cost of fitting clean exhaust devices, and that the incentives could not be offered more than seven years before the introduction into force of the emission standard on a compulsory basis.

Ford chief criticises politicians

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

A SCATHING attack on the European politicians involved in the debate about car emissions has been launched by Mr Ron Mellor, vice-president, car engineering, Ford of Europe.

"Because they find technical fact expressed by engineers too difficult to assimilate, politicians pay more attention to the readily comprehensible assertions of the pressure groups. The carefully prepared and reasoned factual report is safely ignored in the interests of political expediency while the meretricious assertion is seized on and disseminated," writes Mr Mellor in the engineering design magazine Eureka.

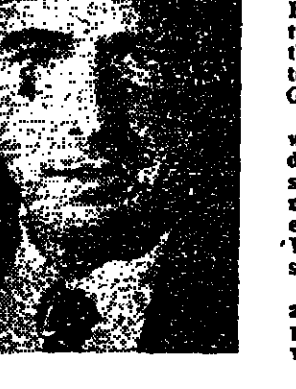
He points out that over the last 10 years there have been hopeful signs that members of the European Community were progressing in an orderly, socially responsible and technically sound manner, towards a Community-wide policy on vehicle emissions.

"Now politicians in various countries are promoting unique emissions regulations more appropriate to North America. They do this to meet the demands of environmental pressure groups rather than to achieve a rational improvement in air quality."

Mr Mellor asks whether more could have been done to plead the case for "order and technical effectiveness in the Community's efforts to improve our environment.

"Probably—but if even countries more technically aware and methodical, like West Germany, have had reason swept aside, what hope is there for us?"

Mr Mellor insists that engineers have to recognise that, if the prime function of their profession is to create wealth, "we should have more right to share in the decisions which apply the resources we have helped to create. We must learn to be articulate, communicate our message clearly and to get closer to the seats of political power. We still have a lot of ground to make up."



UK 'not totally pessimistic'

BY JOHN GRIFFITHS

THE UK "is not totally pessimistic" about EEC environment ministers reaching an agreement today on car exhaust pollution standards, Mr Wiliam Waldegrave, the Environment Under-Secretary (pictured left), leading the UK delegation at the talks said yesterday, John Griffiths reports.

He suggested that there was "scope for flexibility" in drawing up detailed emissions standards equivalent to, but not identical with, the U.S. emissions standards which West Germany has been insisting should be imposed.

Most of the EEC partners accept that European driving patterns, road networks and vehicles themselves are so dissimilar from the U.S. that its standards do not translate directly.

Mr Waldegrave is due to have bilateral talks with his West German counterpart this morning, ahead of the full council meeting.

However, he made clear that the UK had no intention of backing away from its insistence that catalysers should not be used in vehicles of under two litres. The UK, he declared, "has already compromised enough."

If no agreement could be reached today, he expected the entire issue to be moved to the agenda of the next European summit, due to take place on March 28 and 29.

European conference urges pact on rights

BY PATRICK BLUM IN VIENNA

THE COUNCIL of Europe's first ministerial conference on human rights will end in Vienna today with a call for greater co-operation between states and a warning on the need to reinforce Europe's efforts to protect the rights of the individual.

A final declaration on human rights, to be voted on at the end of the two-day conference, deplores the continued widespread and serious violations of human rights in many parts of the world. It reaffirms the principle that the protection of human rights is a legitimate concern of the international community which cannot be considered an interference in the domestic affairs of individual states.

Sr Marcelino Oreja, secretary-general of the Council of Europe, yesterday praised the work that had been done under the European Convention of Human Rights signed 35 years ago and warned against complacency. Not all member-states had accepted the right of individual petition or the jurisdiction of the European Court for human rights. The political will which helped to make progress in former years had "faded."

The meeting will be adopting three resolutions which aim to strengthen the various bodies of the convention, and the role of the Council of Europe in protecting human rights and to promote further work on the dangers posed to human rights by recent developments in science and medicine such as artificial procreation.

Mr Timothy Renton, the British Under-Secretary of State at the Foreign and Commonwealth Office, strongly criticised the failure of East bloc countries to abide by the provisions of Helsinki. The political dialogue with East bloc countries helped to generate confidence and trust but it should not lead to compromises on important questions, he argued.

"The collectivist concept of human rights expounded by many oppressive regimes in the East and elsewhere is profoundly alien to our history, philosophy and tradition. The clear vision of human rights should not be obscured by such doubtful ideas masquerading as further rights," he said.

Mr Necat Eldem, the Turkish Justice Minister, was also expected to raise the question of Bulgaria's treatment of its Turkish minority.

Ex-minister faces trial

Herr Egon Franke, the former Social Democrat Minister for Inner-German Affairs, is to be sent to trial on charges of alleged fraud, in connection with the mysterious disappearance of DM 5.6m of funds from the ministry between 1979 and 1982, **Rupert Cornwell reports.**

The move, announced yesterday by the Bonn public prosecutor's office, could lead to fresh embarrassment here over the whole issue of relations between the two Germanies.

Among the purposes for which the missing funds were earmarked was the purchase of freedom for prisoners from East Germany—a subject on which Bonn has always tried to maintain the utmost secrecy.

Herr Franke himself has all along denied any impropriety. He has insisted that the money was employed for authorised humanitarian ends, and that if any irregularities took place, it was because he preferred to leave his aides a free hand. A former department head at the ministry has also been indicted, although proceedings were dropped yesterday against a third person, a Berlin lawyer previously held to be connected to the affair.

Belgian missile debate

BRUSSELS – The Belgian Government was expected to survive a parliamentary vote yesterday on its decision to deploy cruise missiles after a key opponent in the Prime Minister's party said at the last moment he would not vote with the opposition.

A vote on the debate was not expected until late last night or possibly early today in the 212-seat legislature.

The Government recalled two ministers from abroad to shore up its seven-seat parliamentary majority.

An 11th-hour decision by a key opponent of the missiles in Prime Minister Wilfried Martens' Christian Democratic Party (CVP) removed the threat of a collapse of the four-year-old coalition.

CVP sources confirmed that Mr Luc van den Brande, would not vote against the Government but, instead, read a personal statement. Mr van den Brande had mobilised about half a dozen CVP members to vote against the missiles.

Mr Martens heads a four-party coalition of Christian Democrats and Liberals (conservatives) – each split into Dutch and French-speaking factions.

His three coalition partners said they will back the deployment of the 48 missiles – the first 16 of which arrived in Belgium on Friday – with the possible support of some small conservative parties outside the coalition, representing some three seats.

The parliamentary debate came two days after a massive anti-missile rally. AP

Gemayel to meet Assad as factional violence increases

BY NORA BOUSTANY IN BEIRUT

LEBANON'S President Amin Gemayel, unable to keep the lid on sectarian friction ignited by a revolt of Christian militants was due to travel to Damascus yesterday to seek the assistance of Syrian President Hafez Al-Assad.

Clashes again erupted in townships overlooking the port city of Sidon. The fighting, between the Lebanese Army, Shi'ite and Sunni elements on one side and the Lebanese Forces and Christian militias on the other, was the first outbreak of serious factional trouble in the region since Israeli troops evacuated the city on February 16.

The Lebanese Forces told residents of the eastern outskirts and fringe villages of Abra, Hlailiya, Qanaya and Qayya that they had two hours to leave yesterday. This has caused a huge exodus of Moslems to the heart of Sidon.

The two-hour deadline was issued following reported robberies and attacks against women while their husbands were away at work.

The Lebanese Cabinet failed to meet yesterday, as Moslem Ministers declined to cross into Christian areas, where armed rebels gained the upper hand last week.

The Christian dissidents, led by the rebel commander Mr Samir Geagea, and manipulated by ideologues and hardliners opposed to the dominance of the President, are ostensibly against Syrian sponsorship of the Gemayel régime.

Mr Geagea and his followers have asked for the creation of an elected Christian National Council, which in essence would by-pass the established order of the mainstream Phalange Party and its leaders.

Moslem leaders have spoken out strongly against the Christian dissident movement, describing it as partitionist and linking it to what they see as Israeli designs for the fragmentation of Lebanon.

The violence around Sidon will undoubtedly fuel inter-religious hatreds. The Druze militia of the Progressive Socialist Party has been ordered to mobilise, and its leader, Mr Walid Jumblatt has vowed to fight the Christian rebels.

Israelis fear guerrilla onslaught after pull-out

BY DAVID LENNON IN TEL AVIV

FEARS OF a guerrilla onslaught from across the border may drive tens of thousands of Israelis to abandon their homes in the north of Israel once the army completes the withdrawal from Lebanon, now moving towards its final stage.

Some 44 per cent of the residents of the border towns of Metulla and Kiryat Shmoneh said they plan to leave as soon as the Israeli army completes its pull-back, according to an opinion poll in one of the local papers yesterday.

The heads of dozens of families in the border towns told pollsters that they have already begun practical preparations for leaving.

An additional 10 per cent of the 115,000 Israelis who live in the region said they would move south if they had means to do so.

The Israeli Cabinet set up a committee this week to find additional funds to prepare for the aftermath of the withdrawal.

Mr Moshe Lerer, co-ordinator of Government activities in the Galilee, said that $100m (£91m) is needed to ensure the economic infrastructure of border towns and villages.

The army is spending millions of dollars on the construction of a new and more sophisticated border fence which will include a new warning system to try to prevent infiltration of guerrilla groups.

In addition, Israel intends to retain control over a broad stretch of Southern Lebanon as a security zone. This will be policed by Israel's surrogate South Lebanon militia supported by Israeli troops.

The exact depth of this border strip is not yet clear. It will be at least as deep as the 8-10 kilometre belt held by the militia between 1978 and 1982.

Baghdad hit by further big blast

By Roger Matthews, Middle East Editor

ANOTHER large explosion rocked the centre of Baghdad yesterday—the fourth in six days—but fighting on the southern front of the Gulf War apeared almost at a standstill following Iraq's containment of the latest Iranian offensive.

Correspondents taken to the Hawizah Marshes north of Basra said yesterday that the invading Iranian forces had been thrown back almost to the international border.

Exchanges of fire were still taking place, but Iran had clearly abandoned its attempt to cross the Tigris River and sever the main road from Baghdad to Basra.

Dozens of wrecked Iraqi tanks testified to the ferocity of the assault and officers admitted that Iranian units had been able to construct a pontoon bridge acros the Tigris before being driven back.

Iran is still insisting that it controls a large part of the Hawizah Marshes.

Iran also asserted that yesterday's blast in Baghdad was caused by a missile and again threatened to destroy the Iraqi capital if attacks on its cities were not halted.

Iraq claimed that the first two explosiions in Baghdad were the work of Iranian agents, but has not commented since.

Although Iran was not thought to have possessed long-range missiles, diplomats speculated yesterday that Libya may have supplied Tehran with a limited numer of Soviet-built Scud ground-to-ground missiles.

These could have the necessary range to hit Baghdad but do not have the reputation of being particularly accurate. Initial reports from Baghdad yesterday suggested that at least 12 people had been killed in the latest blast which occurred in the city's commercial centre.

Iraqi aircraft meanwhile continued their attacks on Iranian cities, hitting Bushehr, Hamadan, Erdebil, Krand and Khorrambad, according to a military communiqué issued in Baghdad.

President Hosni Mubarak of Egypt said yesterday after his surprise visit to Baghdad with King Hussein of Jordan that Iraq did not need further military assistance and appealed to Iran to begin peace talks.

Anthony Robinson reports on an attempt to square an economic circle

Spending challenge in South Africa

THE KEY QUESTION surrounding the deflationary budget presented on Monday by Mr Barend Du Plessis, South Africa's new Finance Minister, is whether the Government will be able to limit its spending in the midst of an inflationary recession and pressures from the majority black community for reforms of the apartheid system.

On past performance, the omens are not good. In each of the previous five years actual Government spending exceeded budget estimates, frequently by a large margin. In 1984, a 30 per cent rise in public sector salaries contributed to a 22.6 per cent rise in Government spending, compared with the 13.5 per cent budgeted.

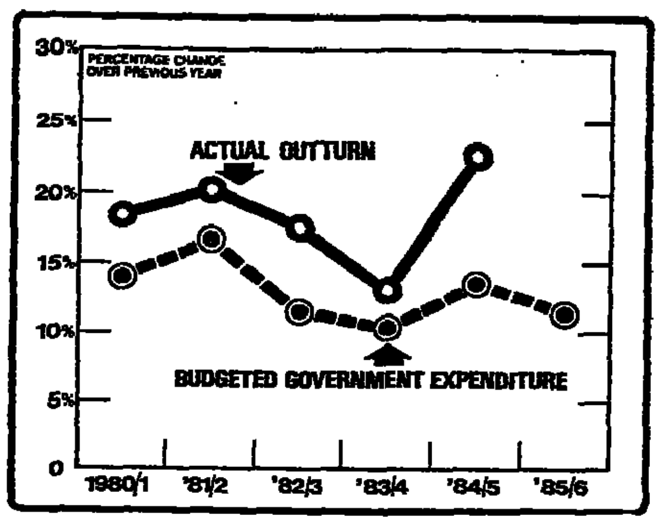
What is at stake is nothing less than the financial credibility of a Government whose standing in the business community has been badly eroded by years of profligacy. This has made the economy prey to inflation, now three times the OECD average, to a severely depreciated currency, and to high unemployment.

With the full backing of President P. W. Botha, Mr Du Plessis has produced a budget which aims to keep government spending below the rate of inflation and which raises taxation to reduce the public sector borrowing requirement.

In his budget speech Mr Du Plessis revealed the upward pressure on Government spending when he said that it had taken seven rounds of tough negotiations with spending ministries to cut their original requests for R34bn (£15bn) down to the final figure of R30.7bn.

This is an 11.4 per cent rise over fiscal 1984 and significantly below the current 14 per cent inflation rate. At the same time R1.8bn has been raised through higher taxes and excise duties, which will reduce the all important deficit before borrowing to R2.5bn from R3.3bn last year. This is equivalent to around 2.5 per cent of gross domestic product, compared with 3.6 per cent last year.

According to Dr Johan Cloete, chief economist of Barclays Bank: "This is equivalent to 1.5 per cent negative growth and means the Minister is prepared to sacrifice growth to achieve his objectives of lower inflation, a stronger balance of payments, a stronger rand and lower interest rates.



"Unemployment and insolvencies will increase as a result of the lower level of economic activity," he added.

But, as Mr Harry Schwartz, the opposition Federal Progressive Party finance spokesman, pointed out, the spending estimates do not take into account the increased tax bill of more than R1bn which business and ratepayers are expected to face under the terms of proposed local government reforms.

These will be financed by a new regional service levy which will be used partly to fund infrastructure developments in black townships by transfers from the richer white suburbs and central business districts to which they will be linked.

Two thirds of the higher tax and excise duties contained in the budget come from the rise in the general sales tax (GST) from 10 to 12 per cent. This tax has doubled in a year and, like all flat rate consumer taxes, bears particularly hard on low income earners.

But the budget contains several provisions specifically aimed at confirming the Government's commitment to closing the yawning gap between white and black education, pensions and other social services. Thus, spending on education for all races is to increase by 19 per cent to R5bn, the largest single item of spending.

The increase for black education alone will be 29 per cent, to R917m. Spending per capita on black education remains well below that on white, coloured and Asian education, but the commitment to narrow the gap has been honoured. Basic pensions for all racial groups similarly have been raised by R14 a month.

Hitherto pensions have been raised by differing amounts for the different racial groups, with blacks always receiving the lowest. A further R494m has been set aside for subsidising the transport of black commuters from their far-flung townships to work in the white cities.

The biggest increase in spending however has gone to maintaining the basic apartheid infrastructure, with a 27 per cent rise to R3.6bn in assistance to the black homelands and Namibia, subsidies for "decentralised industries" close to homelands and contributions to the African development banks which finance projects in these areas. By contrast the increase in military expenditure has been held to 8.1 per cent, a reduction in real terms.

Business as a whole will suffer from the deflationary effect of the Budget, which puts a priority on fighting inflation rather than spurring growth as the pre-requisite for a future recovery. Basic company income tax remains unchanged at 50 per cent and tax increases have been applied selectively, to those sectors which have made windfall gains from the depreciating rand or the high interest rates which have debilitated the rest of the economy.

The new "temporary" levies on mining companies will take an estimated R124m from the profits of gold, diamond and other mining companies this year. The companies have reacted predictably by asking sourly when "temporary" surcharges were ever reduced and warning that future investment will be affected.

Banks are also unhappy at the R100m extra contribution they will make to the treasury by the levy on deposits. Meanwhile the 10 per cent excise and customs duty levied on mainly imported computers and other office machines will increase the ocsts of office mechanisation.

On the whole the verdict here is that Mr Du Plessis has done what he can to square an impossible circle. It remains to be seen whether the introduction of a new monthly cash flow monitoring system set up to give early warning of departmental overspending will keep the budget on track.

Rioting in black townships leaves 12 dead, many hurt

BY OUR JOHANNESBURG CORRESPONDENT

CONTINUING violence in the black townships around Port Elizabeth in Eastern Cape Province has caused at least 12 deaths and many injuries in five days of protests and rioting.

Thousands of black workers stayed at home over the weekend and Monday in support of a three-day work stayaway in protest against high prices and high unemployment.

The stay-away was organised by the Port Elizabeth Black Civil Organisation (PEBCO), an affiliate of the anti-apartheid United Democratic Front (UDF).

The Eastern Cape is traditionally one of the most politically active areas, with a long tradition of union militancy and support for the banned African National Congress (ANC).

It has been especially hard hit by the problems of the car industry which have caused layoffs for several thousand workers in the Ford, Volkswagen and General Motors assembly plants and associated component manufacturers.

No Chinese invasion of Vietnam 'in prospect'

By Mark Baker in Peking

MR MICHAEL ARMACOST, U.S. Under-Secretary of State for Defence, said in Peking yesterday that he did not believe China is planning to invade Vietnam in retaliation against Hanoi's current offensive against the Kampuchean resistance.

However, asked whether the U.S. would oppose an invasion similar to that in 1979, Mr Armacost refused to commit himself, creating the impression that Washington would not be unhappy at such a prospect.

"I have not taken a position here. It really is an issue between China and Vietnam."

When pressed on why the U.S. Administration did not have a position on the matter, Mr Armacost added: "Again, I don't know that there is any invasion in prospect of the sort that occurred in 1979. So the issue doesn't arise in quite the same way.

"But among other things, there is a different Administration in power (in the U.S.)."

Mr Armacost, who has a key role in formulating policy under Mr George Shultz, U.S. Secretary of State, was speaking only hours after talks with the Chinese Foreign Minister, Wu Xueqian.

During a tour of South-East Asia in January, Wu warned twice that China was prepared to teach Vietnam a "second lesson" over its "aggression" in Kampuchea.

Tens of thousands of soldiers and civilians of both sides were killed during the month-long conflict in 1979, which was strongly opposed by the Carter Administration in Washington.

The Sino-Vietnam border has been tense since mid-January, with both Hanoi and Peking accusing each other of intensive artillery attacks and armed incursions.

Mr Armacost said it appeared there had been "considerable activity" along the border recently, but he had not gained the impression that an invasion was "in prospect."

The U.S. was not concerned about the possibility of an improvement in Sino-Soviet relations following the change in Soviet leadership, he added.

Mr Armacost said the new Soviet leadership had been a "considerable focus" of his talks with Wu and other Chinese leaders, but he refused to discuss or categorise the Chinese views.

AMERICAN NEWS

Fall in Chile reserves breaches accord

By Mary Helen Spooner in Santiago

CHILE'S FOREIGN reserves dropped by $182m (£161m) in January to $1.87bn, the lowest level in 18 months, the Central Bank has reported. The fall in reserves breaches the preliminary accord reached last month with the International Monetary Fund for a three-year extended fund facility. This provided for a minimum reserve level of roughly $2bn.

General Augusto Pinochet's regime is seeking more flexible terms from the IMF in the wake of this month's devastating earthquake. Chilean authorities have indicated that at least a portion of funds previously allocated for debt servicing this year will have to be used for reconstruction. A Central Bank statement said the fall in reserves was only temporary.

The Central Bank also reported that Chile's trade surplus reached $44.6m by mid-February, suggesting that the country may have difficulty in achieving the $1bn surplus officials predicted earlier this year. Since the earthquake, Chilean exports have been partially hindered by damage to the country's principal ports.

Setback for U.S. housing starts

By Nancy Dunne in Washington

U.S. HOUSING starts had their largest setback since March 1984, plummeting 11 per cent last month, the Commerce Department reported yesterday.

The drop followed a jump in January of 12.9 per cent. Most analysts expected a surge in February but the halt to the decline in mortgage rates has cast a shadow over what many expected to be a strong spring for the industry.

Builders are also blaming the possibility of sweeping changes contained in tax reform proposals for a new reluctance of developers to get big projects under way.

In the first two months of the year, 200,200 housing units were started, 16.3 per cent less than in the same period last year. February's decline was greatest for multi-family apartments, down 33.4 per cent, a category which soared 49 per cent in January.

The Nicaraguan Government desperately needs a battlefield success, reports Tim Coone

Sandinistas go on the offensive

THE HOWITZER shells crashing into the far mountain ridge echoed up the pine-forested valley. A Sandinista militiaman, a peasant farmer, explained that some Contras, the U.S.-backed Guerrilla group, had been seen there the night before. As he spoke a nearby 82mm mortar fired another shell to add to the hail of shrapnel falling upon the unfortunate guerrillas. An army officer added: "In two weeks it will be nothing but lead up there."

The Sandinista offensive against the guerrillas is under-way and, along with it, a counter-insurgency campaign that aims to deal a crippling blow to the Right-wing guerrillas whom President Reagan has described as "freedom fighters."

Two weeks ago, an operation began to move some 40,000 people living in the remote rural areas of the northern and central mountains of Nicaragua. This would deprive the guerrillas of the support in the countryside which they have gained either through collaboration or coercion, and would open up a zone in the interior where the guerrillas can be encircled and wiped out with no risk to civilian life.

The extent of the operation is a reflection of the desperate situation facing the Government. The Nicaraguan economy is already on a war footing and facing further austerity. The war has curtailed growth in foreign exchange earnings over the past three years and offers dim prospects for the next two.

Meanwhile, import costs continue to rise and the foreign debt burden will be a millstone for decades. Sandinista leaders admit that there will be no solution to Nicaragua's economic problems without an end to the war.

Commander Bayardo Arce, one of the top nine Sandinista leaders, in a frank statement to union leaders last month, said: "We cannot continue indefinitely in this situation of war and economic deterioration. If we don't put an end to these problems the revolution could be lost as a result of the military and economic aggressions of the U.S."

The relocation of thousands of peasant farmers and their families will cost tens of millions of dollars. According to Sra Miriam Lasso, a senior social welfare official co-ordinating foreign aid for the refugees, food supplies alone will cost $2.5m until the 52 new settlements to be created can become self-sufficient.

In addition, 60 new schools are to be built, along with health clinics, electricity lines and water supplies. Houses for the 7,000 families have to be built. Each house will cost about $3,000 at the official exchange rate.

The Government is remaining tight-lipped about the counter-insurgency aspects of the relocation and foreign journalists are facing new restrictions on access to the war zones. Nobody considers it an ideal situation, least of all the displaced farmers.

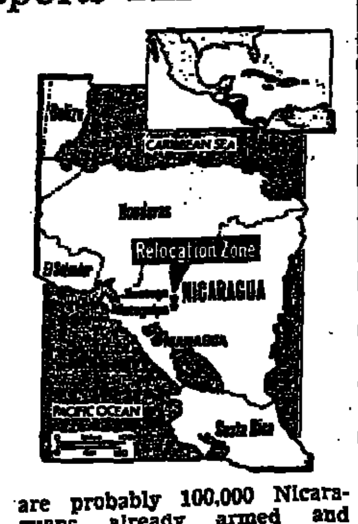
"It is a product of the war being waged against us by the United States," said Sr Manuel Ruiz, a local Sandinista leader in charge of the relocation programme in the region of the northern town of Yali.

On the military front, sheer weight of numbers is beginning to have an effect. Last year 30,000 youths were called up under the compulsory military service law and a similar number is likely to be added this year, many of them fighting in units specialised in guerrilla warfare.

The main guerrilla force, the FDN, is estimated to have around 10,000 troops and has been suffering heavy losses over the past months. According to the Ministry of Defence, 650 Contras had been killed up to the middle of March this year. With wounded added, this signifies a rapid depletion of the Contra forces which have been unable to recruit at anywhere near the rate of their losses. The FDN was confidently announcing in June last year that it expects to have 20,000 guerrillas in the field by September.

A growing desertion rate is also indicative of the crumbling morale of the Contra forces. One of their military commanders, Sr Jose Mondragon, sought asylum in the Mexican embassy in Honduras last week, with the intention of taking advantage of the amnesty announced by the Government at the end of January. Some 600 Contras have given themselves up under the amnesty.

At the operational level, Government battlefield communications have improved dramatically in the past year, and helicopters are being used with greater effect to transport troops rapidly to trouble spots. Surprisingly, the recently acquired sophisticated MI-24 helicopters are to be kept in reserve, according to a Ministry of Defence spokesman. "The offensive is to be fought with rifles, mortars and artillery," he said.



1985 will be a critical year for the Sandinistas. The economic situation is causing political tensions in the cities, which the Reagan Administration is mobilising all its rhetorical force in Washington to drum up Congressional support for continued U.S. aid to the Contras.

In the words of one Western diplomat based in Managua, "the Sandinistas see the U.S. as having three options. One, to intervene directly with its own troops, two, to continue the war of attrition for which they need the Contras, or three to negotiate. If they can eliminate option two by defeating the Contras, they hope the U.S. will negotiate."

The first steps to eliminating option two are now underway. If the Contras can be defeated, at least as an effective fighting force, the Sandinistas are banking on the fact that there are probably 100,000 Nicaraguans already armed and trained to confront a potential U.S. invasion, most of them having had some combat experience.

Total mobilisation could put another 100,000 to 200,000 in the field. In itself this is a powerful deterrent to a U.S. invasion, given the ghosts of the Vietnam war still wandering the corridors of the U.S. Congress. For the Sandinistas, the new counter-insurgency campaign is therefore crucial to getting the U.S. back to the negotiating table which it abandoned in January.

Meanwhile, the war and the killing continues. One ageing peasant woman moved two weeks ago from the north was surprisingly philosophical however as she listened to the howitzer barks from perhaps 25 kilometres away. "At least we are eating well and we've been promised new lands to farm," she said.

U.S. concerned at UK doubts over Star Wars

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE U.S. is more concerned that it is publicly admitting by the British Government's open airing of doubts about President Ronald Reagan's Star Wars strategic defence programme, according to Administration officials.

Publicly, the Administration is playing down any appearance of a rift with London, in the hope of maintaining a united western front on the issue. Privately, however, officials are saying that they are "not pleased" by Friday's cautionary remarks about the programme by Sir Geoffrey Howe, the British Foreign Secretary, which they regard as "unhelpful."

One of the Administration's greatest fears is that the Soviet Union will succeed in "driving a wedge" between Washington and its European allies on Star Wars, so as to strengthen Moscow's hand in the Geneva arms talks and, ideally, halt further work on the system.

The Administration's concern can only have been heightened by the support for Sir Geoffrey's views expressed by Herr Hans Dietrich Genscher, the West German Foreign Minister, on Monday. Washington had been increasingly confident that it had sewn up west European support, at least for research into the planned new weapons.

In a long speech to the Royal United Services Institute on Friday, Sir Geoffrey raised serious questions about the technical feasibility and strategic desirability of the proposed space defence system and warned against it becoming "a new Maginot line of the 21st century."

In an official reaction to his remarks, the State Department said that they "should not be interpreted as implying a major division" between the British and U.S. Governments. It stressed that both countries fully agreed that research on the programme should be pursued, "particularly given long-standing Soviet efforts to develop strategic defences of their own."

The State Department noted that Sir Geoffrey had reiterated December's four-point Camp David agreement between Mr Reagan and Mrs Margaret Thatcher, the British Prime Minister. At Camp David, Mrs Thatcher pledged her full support for research under the programme, while Mr Reagan committed himself to negotiations before any weapons were deployed.

The U.S. had made clear that in order for any defensive system to be deployed it would have to be "of proven reliability, cost effective, survivable and stabilising," the State Department said. The research programme was designed to explore whether these conditions could be met.

"There is thus no divergence here between our views and those of our British colleagues," the State Department said.

Not all plain sailing for new Barbados leader

BY CANUTE JAMES IN KINGSTON

IN A REGION where small weak economies have been under severe pressure, Barbados has been regarded as a model of stability. Yet Mr Bernard St John, who last week took over as Prime Minister following the sudden death of Mr Tom Adams, will be faced with the early task of mending an economy which has shown signs of fraying at the edges.

Growth in Barbados last year was 2.4 per cent reflecting continuing recovery from a decline of 4.6 per cent in 1982 and zero growth in 1983, but Mr St John will still be worried about the performance of tourism, sugar and manufacturing, the pillars of the economy of the 431 square kilometre island of a quarter million people.

The new Prime Minister will be less concerned about tourism, the main foreign currency earner, than the others. An increase in the volume of visitors from the U.S. last year saw this sector growing by 11 per cent.

It is the sugar industry which faces the strictest problems. The harvest last year yielded 100,506 tonnes, 18 per cent up on 1983, and exports of 79,725 tonnes brought in $32m in foreign exchange. Like other Caribbean producers, however, the Barbados industry is in financial trouble. The Government has been raising money to support the industry, which has debts of $32.5m. Bonds are being issued to secure $7.5m after similar efforts to raise $5m in 1983.

In recent years Barbados has established a thriving light manufacturing sector which, with earnings of $197m last year is second in importance to tourism. Mr St John will be hard pressed to maintain growth, however, because no sooner had the sector overcome the problems of recession in the U.S. than it found its market in neighbouring Trinidad and Tobago restricted by protectionism.

The Trinidadian move has threatened about 500 jobs in garment manufacturing, and unemployment is already at 18 per cent, the highest it has been for the past decade.

Unlike his colleagues in the Caribbean, Mr St John will be little worried by the island state's foreign debt which, at $183m, carries a service ratio of 7 per cent, or by its inflation rate of 5 per cent. With an average per capita annual income of $3,700, Barbadians are considered by their neighbours to be relatively affluent.

The Government is presently trying to raise the last $130m tranche of a $375m five-year development budget to improve the sugar industry, the airport, and the house and school building programme.

But to build on the foundation left by Mr Adams, Mr St John faces two political hurdles. He will have to overcome the doubting Thomases within the ruling Labour Party, which must elect a new leader soon. Party officials say Mr St John is not assured of election, making the length of his tenure as Prime Minister uncertain.

The second hurdle is the next general election, which must be held within 15 months. The Labour Party, will for the first time in 25 years, be without the Adams name. This is a major setback in a country whose politics have been dominated by the late Prime Minister and his father, Sir Grantly, formerly Prime Minister of the short-lived West Indies Federation for so long.

Reagan and Mulroney sign broad trade pact

BY REGINALD DALE AND BERNARD SIMON

PRESIDENT Ronald Reagan and Prime Minister Brian Mulroney of Canada signed a comprehensive trade agreement at the end of their "Shamrock summit" on Monday which, despite one or two discordant notes, was billed as one of the most productive in the history of U.S. — Canada relations.

In addition to a general commitment to lower trade barriers, the two leaders agreed to take action over the next 12 months to ease curbs on petroleum imports and exports, cross-border air traffic and government purchases. Canada and the U.S. are the world's largest trade partners with two way trade totalling $113bn (£104bn) last year.

President Reagan and Mr Mulroney also signed treaties on Pacific salmon fisheries and mutual law enforcement.

WORLD TRADE NEWS

EEC ready to help launch new Gatt round

BY PAUL CHEESERIGHT IN BRUSSELS

THE EUROPEAN Community yesterday declared its readiness to participate in launching a new round of multilateral trade negotiations and proposed they be held in Brussels. Trade ministers defined for the first time the EEC position on moves promoted by the U.S. and Japan to free up the world trading system.

A new round of international trade talks would follow the Kennedy Round of the 1960s and the Tokyo Round of the 1970s, both of which succeeded in removing formal barriers to world commerce.

The first move the Community is anxious to promote is a meeting of senior officials at the General Agreement on Tariffs and Trade to hasten the preparations.

In a step which will please Washington, the trade ministers accepted that services would be a suitable subject for inclusion in a new round. To bring services trade within the disciplines of the Gatt has been an object of U.S. trade diplomacy for the last five years.

But the trade ministers insist that there should be an international consensus on the objectives of a new round before it starts.

The Community has also laid down a number of conditions for success, not least the re-commitment to undertakings already given by the major trading powers, including the progressive dismantling of existing trade restrictions.

It stressed that in parallel there should be action to improve the functioning of the international monetary system. It told Japan that it must increase the level of its imports.

Japan, like the U.S. has been a major advocate of a new trade round.

At the same time, trade ministers have reflected the positions of France and Italy, by specifying that neither the internal or external working of the Common Agricultural Policy should be placed in question.

U.S. asks Japan to probe computer sale blockage

THE U.S. Commerce Secretary, Mr Malcolm Baldrige, has asked his opposite number in Japan to investigate why a U.S. computer manufacturer is having difficulty selling one of its machines to a Japanese carmaker, AP-DJ reports from Washington.

Mr Baldrige has asked Mr Keijiro Murata, Japan's Minister of International Trade and Industry, to inquire into an attempt by Cray Research to sell a "supercomputer" to Nissan. Nissan reportedly wants to purchase the machine, which sell for as much as $20m (£18m) each, but is under strong domestic pressure to buy a Japanese computer instead.

According to the U.S. Commerce Department, it is unusual for the secretary to intervene in such matters.

Brazil and Algeria set to sign barter deal

By Francis Ghiles

A FIVE-YEAR deal involving the exchanges of Algerian natural gas for Brazilian goods worth $180m (£164m) a year, is expected to be signed soon. The agreement which has been under consideration since last autumn should be signed before the middle of the year, allowing for the first shipment of Algerian liquefied natural gas (LNG) to reach South America early next year. ...

The volume of gas would be about 3m cu metres a day and the cif (cost, insurance, freight) price $4.09. The two parties to the contract will be the Algerian state gas and oil monopoly, Sonatrach, and the Brazilian state concern Companhia Energetica de Sao Paulo.

Though more modest than Brazil's recently announced $1bn goods-for-oil deal with Nigeria, this contract confirms the importance Brazilian planners attach to strengthening their links with oil producers in Africa and the Middle East.

For a number of years Brazil has been an active bidder for contracts in Iraq and Iran and it is known to be keen to increase its exports to Algeria—notably for rail, hydroelectric, and housing projects.

Thais postpone Airbus decision

THE THAI Government has postponed a decision to choose between ordering two Airbus jetliners and six Boeing aircraft as the European consortium and the U.S. aircraft maker continue to fight for the contract they regard as pivotal to their future prospects in the Asian market, writes Boonsang K'Thana in Bangkok.

For the second time in less than two months, the Thai Cabinet yesterday postponed a decision to endorse a proposal from Thai Airways, the state-run domestic airline, to purchase two A-310-200s instead of six 737-200s.

Government officials said details of the plan needed to be worked out. Officials concerned were also instructed to negotiate with the two manufacturers to lower prices.

Czechoslovakia's commercial links with the West are weakening. Leslie Colitt reports

Moscow squeezes Prague's trade options

CZECHOSLOVAK industry faces a serious challange on two foreign trade fronts. The Soviet Union is demanding higher quality products—and more of them—in exchange for the energy and raw materials it supplies. At the same time traditional Czechoslovak engineering exports to hard currency markets are showing diminishing returns.

Mr Jaroslav Kroh, general manager of the Czechoslovak state bank, said Czechoslovakia's Comecon trade as a proportion of its total trade will continue to rise. It has already gone up from 64 per cent in 1960 to 75 per cent last year when the Soviet Union made up 45 per cent of total trade. Mr Kroh said it will rise further because of restrictions on technology exports to the East and because of the difficulties Czechoslovak goods encountered in Western markets.

Mr Kroh said the terms of trade with the Soviet Union worsened in recent years as a result of the rising price of Soviet oil and gas.

Unlike most other East European countries, however, Prague did not run up large trade deficits with Moscow. Western specialists on Czechoslovak trade say it managed this in part by diverting products meant for the West to the Soviet Union. This meant cutting imports from the West for the population as less hard currency was available.

Prague's economic planners aim to substitute even more imported Western products with Czechoslovak ones in the future because of the pressure to export to the Soviet Union, the western specialists say.

A communiqué issued at the Comecon summit meeting last June in Moscow explained the dilemma. It said the East European members of Comecon, in order to ensure Soviet energy supplies, would make capital investments, reconstruct and rationalise their industry to supply the USSR with products it needed. In particular, foodstuffs and manufactured consumer goods, some types of construction materials "and machines and equipment of high quality and technical level," were mentioned.

Czech trade officials and managers say the Soviet demand for higher quality goods is a healthy development.

Mr Pavel Trcka, an official in the Foreign Trade Ministry's policy section, said the Soviet demand for more consumer goods was good for Czechoslovakia as producing them used less energy than making machinery.

"We get a faster return on our investments in consumer goods production for the Soviet market than with industrial goods," he said.

Mr Trcka cautioned, however, that Czechoslovakia must also match the quality of Western consumer goods it sells to Moscow.

"The Soviet Union exports oil to both the West and to us. The Soviet buyer naturally wants the best product for it."

Moscow is said to want to form joint venture companies in the energy sector with Czechoslovakia as stipulated in the Comecon communique. But the Czechs, who are already building gas installations in the Soviet Union, are believed to be wary about any proliferation of such companies which would further tie up their industrial capacity.

Mr Vaclav Volf, deputy general manager of Chemapol, the chemical industry's foreign trade organisation said he felt there was a "permanent" demand from the Soviet Union to improve the quality and assortment of fine chemicals, pharmaceuticals, organic dyestuffs and pigments.

While Czech industry must adjust to greater demands from its giant Eastern neighbour it is also under attack by the country's economics officials. They claim it no longer excels in traditional specialities such as textile machinery and machine tools. Instead it grinds out obsolete machinery which can only be sold in the West at heavily discounted prices, they say.

Mr Ondrej Caban, deputy general director responsible for textile machinery at Strojimport, the foreign trade organisation which imports and exports textile machinery and machine tools, said the criticism was justified—to a degree.

Czechoslovakia, he said, developed the open-end spinning machine in the 1960s and began producing it in 1969. The machine, which spins on a rotary basis instead of a vertical one was peerless at the time. But competitors in Japan and West Germany were quick to develop the process and as a result they rule the field today.

"Our people have lots of ideas," Mr Caban said. "But the companies abroad are faster."

This he blamed on organisational and managerial shortcomings and a delay in providing electronic systems for the machines by Czechoslovakia's Tesla company. There were also export commitments to Comecon, he said.

Czechoslovak-made knitting machines were equipped with Tesla electronics for the first time last year, a "bit late," Mr Caban admitted.

Mr Rene Pospiszyl, a Strojimport deputy general director for machine tools, said Czech producers were too inflexible. Strojimport wanted to propose to them that one plant out of the many in an industrial trust be reserved for quick shifts in demand.

"The problem is no one wants to take the risk of their being no demand for a while," he said. "Perhaps we could share in the risk."

Last year Strojimport sold about $500m-worth of machinery to the West compared with $800m in hard currency in the early 1980s.

Support for ship scrapping grows

BY ANDREW FISHER, SHIPPING CORRESPONDENT

JAPAN and South Korea, the world's two bigegst shipbuilding countries, are putting some of their considerable industrial weight behind a major initiative to boost ship scrappng and cut the acute surplus of shipping tonnage.

Maritime experts have long felt that there are too many ships sailing the oceans. Not only have the recessions in major economies in the past few years eroded growth in cargo volumes, but many shipowners have just been too optimistic about trade trends, or simply been wooed by low world shipyard prices into over-ordering.

Hence the day-long meeting in Hong Kong earlier this month at which, unprecedently, representatives of the top Japanese and Korean shipbuilders sat down with shipbuilding and banking delegates from Western Europe, shipowners from Hong Kong, and officials from the Organisation for Economic Co-operation and Development.

The meeting was held at the initiative of the London-based International Maritime Industries Forum (IMIF), a grouping of industry and banking representatives which seeks co-ordinated solutions to such seemingly insoluble problems as the tonnage surplus and how to eliminate it.

Those at the meeting agreed that firm action was needed to raise the level of shipbreaking, an industry in which Taiwan is dominant, with South Korea, China, Pakistan and others also heavily involved. (Last year, world ship sales for scrapping—mostly of tankers—totalled 29m deadweight tonnes, slightly down on 1983.)

"It was much better than I could have wildly hoped for," said Mr Jim Davis of the meeting. He is chairman of IMIF and a director of UK merchant bank Kleinwort Benson which owns the shipbroking firm of Harley Mullion. The Japanese, especially showed keen interest. Both they and the Koreans have seen their orders for new ships dwindle sharply.

Ahead of the meeting, Mr Davis said between $100m (£91m) and $150m would probably be needed to accelerate scrapping significantly. This would include subsidies to lift scrapping prices — currently ranging around $100 a light-weight tonne (the ship's weight without cargo)—help finance new demolition facilities, and encourage banks to send some ships for scrap rather than hold on and hope their financially most hard-pressed shipowning clients suddenly experience a burst of prosperity.

The sad truth is that shipping markets have mostly been depressed for some time. Scrapping of VLCCs (very large crude carriers) has been heavy over the years, but there are still too many of these and other cargo ships around.

"There is a growing realisation among the true owners of many ships, the bankers, that things are not going to get better," said Mr Davis. "Now is the time to act, not later." The next such meeting will be in July.

Zimmer wins orders for five China spinning plants

BY JOHN DAVIES IN FRANKFURT

ZIMMER, a West German subsidiary of Davy McKee of the UK, is continuing to build up its engineering and construction operations in China, with new orders for five polyester high-speed spinning plants worth DM 70m (£19.1m).

The company is seeking other similar orders as the Chinese push ahead with plans to develop their man-made fibres industry.

Zimmer, which has long been cultivating relations with China, has already obtained contracts for five other polyester spinning plants in recent years, as well as two polyester polycondensation plants to develop raw material to turn into synthetic fibre.

A milestone has been reached in the biggest single project, the DM 360m polyester polycondensation plant built at Nanjing. Trial production has begun at the first of eight lines at the huge plant.

With the current Chinese emphasis on decentralisation, the latest orders for spinning plants are in four separate provinces. The five plants, to be built at the towns of Baoding, Tongling, Acheng, Dandong and Benxi, will produce a total of more than 20,000 tonnes of polyester yarn a year.

The Benxi plant has been commissioned by the Liaoning Foreign Trade Corporation, while the others have been ordered by the China National Technical Import Corporation. Zimmer will supply the technical process, engineering and equipment and will supervise the construction of the plants, which are due to come on stream next year.

More than 40 Chinese specialists are expected to travel to Zimmer's headquarters in Frankfurt in May for talks on technical details and will also hold talks with sub-contractors in West Germany.

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UK NEWS

MPs vote to limit brand-name drugs

By Ivor Owen

NEW regulations that will limit the brand-name that may be prescribed for National Health Service (NHS) patients from April 1 were approved by a majority of 127 in the House of Commons. The voting was 332 to 205.

The result was achieved despite a rebellion by Conservative backbench MPs. About half a dozen voted against the Government and others abstained.

Mr Norman Fowler, the Social Services Secretary, made clear that the Government had no plans to make any big additions to the list of proprietary medicines covered by the new restrictions.

Mr Frank Dobson, who made the final speech from the opposition front bench in the early hours of yesterday, reaffirmed the Labour Party's commitment to give the public sector "a major stake" in the British pharmaceutical industry.

He argued that just as the uncompetitive principles of the NHS had produced a better health service for the British people than any competitive health service in other parts of the world, the same principles should be applied to "substantial parts" of the British pharmaceutical industry.

Irish company had disastrous brush with bloodstock business

Reinsurance clues to group's losses

John Moore, City Correspondent examines the financial problems which led to the bailing out by the Dublin Government of the Insurance Corporation of Ireland.

THE OPERATIONS of the London offices of the Insurance Corporation of Ireland provide most of the clues on why Ireland's second largest non-life insurer had to be bailed out by the Irish Government at the end of last week.

The stricken company, which caused its parent group Allied Irish Banks to write off all of its £72m investment, has two offices in London. One is situated in Lime Street, almost next door to the Lloyd's insurance market, and the other in Fenchurch Street.

The Lime Street office specialises in insuring general business in what is referred to as the non-marine market, while the other office took insurance business on ships and their cargoes. It was on the general lines of insurance business that things went seriously wrong for the company and precipitated the events of last week.

The company's office became known among those that produce insurance business – the brokers – as one of the "softest" markets in London. In other words the company was not particularly selective in its choice of insurance business. That, and a mixture of bad luck and weak management contributed to the overall problems.

By any standards the company's business experience was unfortunate. The group was involved in:

● Large claims payouts to the State Electricity Commission of Victoria, along with other insurers, following the Australian bush fires in 1983;

● Satellite insurance business, where underwriters have faced claims arising from the malfunction of two satellites last year;

● Claims from the collapse of Air Florida.

But it was bloodstock insurance business and the company's involvement in the arcane world of reinsurance which highlighted the vulnerability of the group. Like all insurance businesses seeking to expand, the Insurance Corporation of Ireland used contractual devices in order to generate large volumes of insurance at a low cost. One of the devices used by insurers is the binding authority.

In this arrangement an insurer allows a third party, such as a broker or underwriting agent, to accept business on the insurer's behalf, subject to agreed limits. The Insurance Corporation of Ireland used these devices with variable results. The company found, as others have done, that binding authorities and delegated underwriting mechanisms do not allow for any control of the actual risks which are accepted.

Those that produce business for insurers in this way are not the risk carriers. If any claims arise, the producers of business under the binding authorities do not have to pay the losses. It is the insurer which has to make any payout. The holders of binding authorities who produce business are remunerated by commission. The larger the volume they generate the more commission they receive.

Inevitably, the Insurance Corporation of Ireland found itself in dispute with those to whom it had granted a binding authority. A large increase in premium volume together with potentially very large losses on bloodstock business prompted the group to look carefully at the wording of a binding authority contract.

A firm of Lloyd's brokers involved, RTC, took action against the Insurance Corporation of Ireland disputing the wording of the contract, while the company counterclaimed against the brokers and others involved.

The case came before the courts earlier this month. During the case there were arguments about commission payments in Bermuda, and disputes over the business volume generated. It emerged that bloodstock business as a proportion of Insurance Corporation of Ireland's business represented 25 per cent of its general accident portfolio.

The Insurance Corporation of Ireland was stunned by the growth of premium volume which at one stage was threatening to jump from $2m to $4m on bloodstock business emanating in Canada.

Last week an out-of-court settlement was reached in which the Insurance Corporation of Ireland was to receive damages from RTC and the other parties without an order for costs.

The business which had flowed through to the Insurance Corporation of Ireland in its disastrous brush with bloodstock insurance had come in the form of reinsurance.

In acting as a reinsurer the Insurer Corporation of Ireland was accepting lines of insurance business that other insurance groups were not prepared to retain on their own account. In much the same way that bookmakers lay off their bets, so insurance groups hedge their own business decisions by buying reinsurance protection to meet excessive insurance claims.

The Insurance Corporation of Ireland's London office also acted as a "front" for a range of other insurance and reinsurance concerns.

In this arrangement business was accepted by the Insurance Corporation of Ireland and largely passed over to other reinsurers and insurance groups.

The risk of reinsurance is that those acting as reinsurers do not appreciate the underlying nature of the risk which has been taken on by others.

'Other options' for satellite broacasts

BY RAYMOND SNODDY

IF THE present direct broadcasting by satellite (DBS) consortium withdraws from the project, the Government might ask the Independent Broadcasting Authority (IBA) to try to set up a new one, Mr Giles Shaw, Home Office Minister responsible for broadcasting, said yesterday.

If the joint venture should come to naught, "there are alternative options for creating a DBS service in this country," Mr Shaw emphasised when he opened the Financial Times Cable and Satellite Conference. In answer to questions, Mr Shaw said the options he had in mind would involve the IBA.

"Satellite television is here to stay," he said. "It is an international form of broadcast television which the UK cannot easily ignore."

Mr Shaw said he was optimistic about DBS but said it was right that cheaper options – two satellites with a phased launch for the second rather than a three-satellite system – were being considered.

As with DBS, the "uncontrolled euphoria" over cable had vanished. But 1985, he said, was the year of opportunity for cable, although "we may have to settle for less sophisticated systems today if the systems of tomorrow are to become a reality." If real impediments arise, he said, "I trust the cable authority will not be slow to knock on my door to ease the way forward."

Lord Thomson of Monifieth, chairman of the IBA and of the shadow Satellite Broadcasting Board, said it would be an "own goal" for the British aerospace industry to insist on a "buy British" policy for DBS unless it could offer the finest price available in the world market.

"An overpriced DBS space system, however British, would not only destroy the prospects for UK DBS, its transparent incompetitiveness would be a mortal blow to the UK aerospace industry's prospects in the world market."

The satellite system, however, would account for as little as 10 per cent of the total consumer expenditure required for the project.

Three hundred jobs might be created in satellite building but there might be as many as 20,000 jobs in all other aspects of the project.

Lord Thomson said the obstacles to DBS in the UK were no longer technical but essentially political. "The Government now has it in its power to determine whether their plans to launch Britain into the DBS age will be a success," he said.

Mr Richard Burton, chairman of the cable authority, said the authority had kept its promise to push ahead as quickly as possible with a new round of cable franchises.

The need had been to release the energy and interest bottled up since the pilot franchises were chosen in November 1983.

After deciding on the first round of five areas in August, the authority would go straight on to the next round. Ways, however, would have to be found to cut the cost of installing cable systems, although environmental considerations could not be disregarded in the UK as they have been in the U.S.

Dr Lothar Späth, Prime Minister of the West German state of Baden-Württemberg, said the exploitation of the new media offered a great opportunity to give lasting support to the integration of Europe. "It is a question of saving our cultural identity in a shrinking world."

Dr Späth said it was important for Europe to become successful and internationally competitive in worldwide audiovisual programme production to stem the tide of American and Asian products.

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He appealed for a joint initiative by Britain, France and West Germany to "provide a major supportive stimulus to the integration of Europe."

M Stéphane Hessel, member of the Haute Authorité Communication Audiovisuelle, also called for multi-language production based on a common European heritage. France, he said, would be a rising partner in that area for European friends.

M Jacques Pomonti, president of the French DBS operating company, said everything was set for the launch of the French TDF 1 satellite and the German TV-Sat next year. The footprint of TDF 1 at its narrowest point would reach a potential audience of 150m to 230m viewers.

Because the risk appeared too high for private investors alone, the Government was covering a third of the capital of the operating company and all the costs of operations and expenses incurred since 1979.

"With the commitment of the state, the initial risks are shared, and the costs of operating the system may be considerably reduced and its development accelerated," Mr Pomonti said. He told the conference he had been given full authority for the project because "it could no longer bear delay and hesitation."

The other speakers at the conference yesterday were Mr Peter Hassall, a partner of Deloitte Haskins and Sells, who outlined how cable television might best be financed; Mr Patrick Cox, managing director of Sky Channel, who spoke on the possibilities of an "open skies" policy in Europe; and Mr Patrick Whitten, managing director of CIT Research, who surveyed the future of European cable and satellite development.

FT COMMERCIAL LAW REPORTS

Dollar currency for soya bean damages

SOCIÉTÉ FRANÇAISE BUNGE SA v BELCAN NV

Queen's Bench Division (Commercial Court): Mr Justice Bingham: March 14 1985

WHERE CONTRACTUAL damages are payable in one of two possible foreign currencies, the court will order payment in that which most closely compensates the injured party, having regard to what must reasonably have been within the contemplation of both parties. Accordingly, if both parties would have foreseen any loss as occurring in a particular currency, and the injured party took careful measures throughout to protect himself from exchange losses by insuring his commodity and banking in that currency, the court will not impose on him an exchange loss which he would not otherwise have suffered by ordering that damages be paid in the other currency.

* * *

Mr Justice Bingham so held when giving judgment for the plaintiffs, Société Française Bunge SA, receivers of cargo shipped on the Federal Huron, on their claim that the damages in their action against shipowners, Belcan NV, should be given in U.S. dollars and not in French francs.

HIS LORDSHIP said that in October 1981 a cargo of yellow soya beans was shipped aboard the Federal Huron at Toledo, Ohio, for carriage to Bordeaux.

When the cargo was discharged, part of it was found to be damaged. The receivers brought proceedings against the shipowners. The parties reached agreement on all issues save one. The sole question for determination concerned the currency in which judgement for the receivers should be given.

The receivers claimed that it should be given in U.S. dollars; alternatively, that it should be in U.S. dollars for the damage to the cargo and in French francs for incidental expenses. The owners contended that judgment should be wholly in francs.

In *SEAS [1979] AC 685.700–702* Lord Wilberforce, while emphasising the impossibility of laying down a simple rule applicable in all cases, established the following as governing principles in a claim for damages for breach of contract:

● Where it was inappropriate to give judgment in sterling, but there was more than one eligible foreign currency, the choice depended on general principles of the law of contract and on rules of conflict of laws.

● General contractual principles required application, so far as possible, of the principle of *restitutio in integrum*, regard being had to what was in the reasonable contemplation of the parties.

● Where, as in the present case, the proper law of the contract was English, the first step was to see whether, expressly or by implication, the contract provided an answer to the currency question.

● If the contract did show an agreed currency of account and payment, then judgment could be given in that currency.

● If it did not, damages should be calculated in the currency in which the plaintiff's loss was felt or which most truly expressed his loss.

In ascertaining that currency, the court must ask what currency would, as nearly as possible, compensate the plaintiff in accordance with the principles of restitution, and whether the parties must be taken reasonably to have had that in contemplation.

● A decision as to the currency in which a loss was borne or felt could be expressed as equivalent to finding which currency sum most appropriately or justly reflected the recoverable loss.

Where the claim was by a cargo receiver against a carrier, the general principle of *restitutio in integrum* gave rise to two further rules. First, where goods were delivered damaged, damages in the absence of special circumstances would be the difference between the market value the goods would have had on arrival if undamaged and their value in damaged condition (see *Scrutton on Charterparties 19th ed, art 194, pp 403–4*). Second, that difference was determined with reference to the relative value of the goods at port of discharge (see *the SEAS [1979] QB 491,502*).

The cargo receivers were French. Their practice was to send cargoes of soya beans to their plant at Bordeaux for processing into oil or cake. Their purchases were usually made in the U.S. or Brazil, but a small quantity was bought in France.

Wherever the beans were bought, the price was always fixed in dollars. When the receivers made sales of oil, cake or beans, there was no fixed pattern as to currency; but when the currency of sale was not dollars, their practice was to convert the proceeds into dollars and credit them to their dollar account at Crédit Lyonnais or elsewhere. When a forward sale of beans was made for currency other than dollars, they sold that currency forward, even if it was francs, and bought dollars at the same value date.

The contract of carriage giving rise to the claim was contained in a bill of lading issued at Toledo, freight to be payable as per charterparty. The charterparty provided for freight expressed in dollars. Demurrage also was expressed in dollars.

The shippers had sold the cargo to the receivers for $4,437,299, and the receivers insured it for its dollar value for a premium expressed in dollars. The first entry on their dollar account with Crédit Lyonnais was a debit of the dollar sum payable to the shippers against their invoice.

When the cargo was found to be damaged, the receivers at once claimed against the shipowners. There were some exchanges with the French correspondents of the owners' P&I club concerning the sum for which a letter of guarantee should be given. All the figures mentioned were in francs and the letter of guarantee eventually given was in francs.

The damaged portion of the cargo was sold for francs, and additional expenses for survey, transport and warehousing were incurred and paid in francs.

When the receivers formulated their detailed claim for cargo damages and expenses, it was calculated in dollars.

The court must consider in which currency the the receivers' loss was felt, which currency most truly expressed their loss and which currency most appropriately and justly reflected their recoverable loss on compensatory principles.

The evidence was overwhelming that the receivers treated soya beans as a dollar commodity. It was plain that they were prepared to take the risk that the dollar would depreciate against other currencies, but were not prepared to take the risk that any other currency, including the franc, would depreciate against the dollar.

To give judgment in francs in those circumstances would mean that the owners' breach and the court's intervention imposed an exchange loss which the receivers would not otherwise have suffered and against which, as a matter of routine commercial practice, they took careful measures to protect themselves.

A dollar loss was what the receivers would have foreseen as a result of cargo damage. There was no reason to doubt that the owners also would have foreseen a loss in dollars if a commodity bought in and shipped from the U.S. were damaged.

The letter of guarantee did not displace or seriously weaken those conclusions.

With regard to the appropriate currency for expenses incurred in Bordeaux, the evidence showed that it was the receivers' practice to quantify all costs and expenses in dollars, and if, as the court understood, the whole soya bean operation was conducted through their dollar account, that claim also could be most justly expressed in dollars.

The receivers should have judgment for $49,887, with interest.

For the receivers: Andrew Smith (Clyde & Co)

For the shipowners: Julian Flaux (Richards Butler & Co)

Government to investigate cancer death

By Kevin Brown

MR KENNETH CLARKE, the Health Minister, has announced an inquiry into the death from cervical cancer of a woman who was not told the result of a smear test.

The inquiry will also cover two other women who became ill after slipping through the cancer screening system. All three women lived in Oxfordshire, north-west of London.

Mr Clarke, who was answering an emergency question in the House of Commons, said human error was to blame, and insisted that screening was working well in most parts of the country.

The inquiry would determine whether there were any general lessons to be learned from the Oxfordshire cases, he said. A questionnaire would be sent to all health authorities requesting details of screening services.

Mr Clarke said: "I very much hope that this controversy does not have the effect of putting women off seeking clinical advice. All women who are sexually active should have screening at least once every five years."

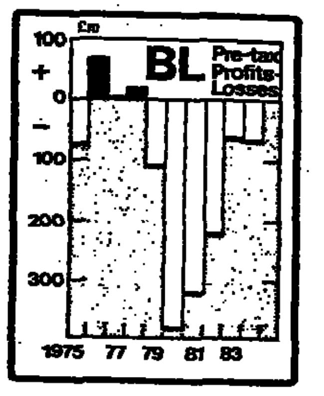
UK NEWS

Setback to BL recovery as loss hits £73m

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE RECOVERY programme at BL, the state-owned vehicles group, suffered a major setback last year. The group had hoped to get close to break even, but instead a pre-tax loss was increased from £67.1m to £73.3m.

The board, headed by non-executive chairman Sir Austin Bide, blames the highly competitive conditions in European car and truck markets and industrial disputes at Austin Rover, the volume car business, for failure to sustain the progress of the past three years.



The directors offer no forecast for 1985 except to reiterate that they will not be going back to the Government for more money. Future funding will be from cash flow, the sale of companies back to the private sector and from private borrowings.

BL's turnover slipped from £3.42bn to £3.4bn last year and the value of its direct exports also fell from £917m to £827m. Vehicle output was down from 576,000 to 490,000 and vehicle sales declined from 564,000 to 511,000. The operating profit of £4.1m for 1983 became a loss of £11.7m last year.

Excluding the contribution made by the Jaguar company before its sale back to the private sector last July, BL's operating result in 1984 would have been a loss of £64m against a loss of £51m the previous year.

However, after an extraordinary profit of £163.4m arising from the Jaguar sale, BL made a net profit of £80.6m in 1984 compared with a £142.9m net loss in 1983 including an extraordinary debit of £64.8m.

Interest charges at £61.6m were £9.6m less than in 1983, reflecting again the sale of Jaguar which led to a reduction in borrowings.

In 1984, BL's cars group made an operating profit of £40m, down from £73m. Jaguar, before its disposal, accounting for much of the profit but Unipart, the spare parts company, also remained profitable.

Unipart has been restructured to prepare it for sale back to the private sector – probably early next year – and on the newly-constituted basis the company showed an operating profit of £14m against a £16m profit for 1983.

ARG Holdings, which takes in the Austin Rover and BL Technology offshoots, recorded an operating loss of £26m after returning to an operating profit of £3m in 1983. "A major contributing factor was the loss of production in 1984 in Austin Rover of 86,800 cars and vans due to damaging industrial disputes at Longbridge and Cowley," the directors state.

The Land Rover-Leyland commercial vehicles operation reduced its operating loss from £86m to £49m in continued difficult trading conditions.

Land Rover Group (Land Rover, Range Rover and Freight Rover) moved back into profit – £2m at the operating level against a £14m loss.

Leyland Group (trucks and buses and spare parts) reduced its operating loss from £70m to £61m. Leyland Bus, which traded profitably in 1983, suffered "a significant loss" in 1984. Mr Ken Maciver, managing director of Leyland Bus, resigned unexpectedly last month.

The Land Rover-Leyland International Group, responsible for commercial vehicle exports and overseas operations, made an operating profit of £10m, down from £18m, a reduction partly caused by the elimination of Ashok Leyland, the Indian associate, from the results.

Indicators show confusion on duration of economic revival

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

PREDICTIONS about when the present phase of economic recovery might end have become very confused, the Central Statistical Office (CSO) said yesterday.

The CSO was commenting on the latest series of leading economic indicators, issued yesterday, which gave conflicting signals about the state of the economic cycle.

The longer leading indicator, which predicts turning points a year ahead, turned downwards in February after six months of steady increases.

The shorter leading indicator, however, which looks six months ahead, continued to rise in January, the latest month for which data are available.

The picture is confused by the fact that the longer leading indicator showed a sustained fall from a peak last March until midsummer. This led the CSO to predict that the present recovery would slow this spring. Later revisions to the data and a subsequent rise in the indicator from last autumn cast doubt on this prediction.

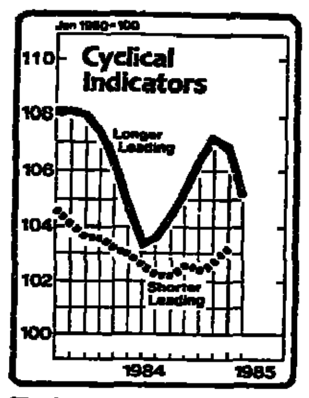
Yesterday the CSO said: "Interpretation is made difficult by the distortions to the series arising from the effects of industrial disputes over the past year or so, especially the coal strike."

Even the indicator which shows the present state of the economy is giving out unclear signals at present, the CSO said.

After declining in the middle part of 1984, mainly as a result of the coal miners' strike, the indicator picked up in the rest of the year. The latest information suggests some hesitancy, however, which would have been consistent with the CSO's earlier prediction of an economic slowdown this spring.

Most forecasters are predicting a significant slowdown in the underlying economic growth rate this year from 3½ per cent in 1984 to about 2 per cent this year, excluding the effects of the miners' strike.

For the immediate future, however, the latest Confederation of British Industry (employers' organisation) survey of manufacturing companies has suggested further economic progress with export orders and prospects for output still at healthy levels.



The latest estimates for industrial production showed a steep rise in January to a record level since the start of the present recovery early in 1981 – though it was still 3½ per cent below the peak in 1979.

The recent rise mainly reflected a surge in North Sea oil and electricity output, however. Manufacturing output in the three months to January was 0.3 per cent below its level in the previous three months and was more than 6 per cent below its 1979 peak.

More miners to lift overtime ban and defy union on ballot

BY JOHN LLOYD, INDUSTRIAL EDITOR

SOUTH DERBYSHIRE miners are to follow the Nottinghamshire area of the National Union of Mineworkers (NUM) in refusing to participate in a ballot to establish a 50p weekly levy in aid of miners sacked during the strike.

The South Derbyshire area will also lift the overtime ban – as Nottinghamshire has already done – if the NUM's national executive does not do so first. The next meeting of the NUM executive is set for next Thursday, but it may be held this week.

Mr Ken Toon, South Derbyshire secretary, said yesterday that the request from three areas – Notts, South Derby and Leicestershire – to the executive to lift the ban and not to continue with the ballot on the levy – which begins today and closes on Friday – had received no answer.

He said: "It would be impossible to hold an overtime ban in this area. Surface workers, who are on the lowest wages and are dependent on the overtime payments, want the ban lifted. They are adamant it cannot continue for any length of time, so it's better to lift it".

Leicestershire, the third area to form what has been termed the "democratic section" of the NUM, is expected to follow suit soon.

The High Court yesterday ordered 39 Kent miners, sacked during the strike, not to enter two pits in the area. At a private hearing, the National Coal Board (NCB) was also granted a temporary injunction restraining the 39 men from assaulting, molesting, intimidating or otherwise interfering with miners working at the two pits.

Mr Eric Hammond, general secretary of the electricians' union said yesterday that analyses of the strike, even by left wingers, appeared largely to endorse his union's earlier condemnation of the miners' leadership for refusal to hold a ballot or to condemn violent behaviour.

VW alters Polo to lift share of market

CHANGES in Volkswagen's best-selling car in Britain, the Polo, should elevate the smallest model in the company's range to the list of the country's top 10 best-selling cars.

Registrations in the UK should rise by more than 11 per cent, from 31,345 last year to 35,000 in 1985, according to the importer, VAG (UK), part of the Lonrho group.

The changes in styling and equipment will include a wrap-round rear window spoiler, new instrumentation and a soft rim steering wheel.

Britain buys more Polo models than any other European export market and the three-body-style range – hatchback, coupe and saloon – accounted for 40 per cent of total VW new car registrations of 96,603 in the UK last year.

At the end of this month a new version of the Polo C hatchback will be introduced with upgraded specification and a higher price than the model it replaces: £4,376 compared with £4,230.

The importer expects the newcomer to increase Polo C sales this year to about 15,000, up by 3,000 on 1984.

VAG (UK) has previously announced that its total car sales target for 1985 is a record 116,000.

□ BRITAIN's first soya milk factory has opened at Manchester. Soya Health Foods is producing 46,000 litres of milk a week and is planning to add a second production line. The company estimates that the UK market will be worth £20m a year within three years.

□ SERVIS, the washing machine maker which went into receivership two weeks ago, may soon find a purchaser. The receiver said talks with a prospective UK buyer could lead to a sale in "a week or so."

□ TOTAL, the French oil company, has placed a £16.7m order with the RGC offshore fabrication yard in Methil, Scotland. It is expected to place two further orders worth a total of £34.7m. The orders are for parts of the £1.5bn Alwyn North project.

□ PAINT makers experienced a severe squeeze in profit margins last year. The Paintmakers' Association reported that raw material costs climbed by about 23 per cent, while paint prices rose by only 3 per cent.

Mining equipment groups take stock after strike

Andrew Fisher looks at the impact the year-long miners' strike has had on prospects for mining equipment suppliers

SUPPLIERS of mining equipment have had a rather difficult time during the protracted coal miners' strike. But the dispute has by no means proved disastrous for them.

Certainly, turnover has suffered, short-time working has been common and companies have looked hard for new export business. But the National Coal Board has stuck to the investments it agreed before the disruption to the industry.

Will the ending of the strike mean a sudden upsurge in orders for the equipment industry? No, is the consensus among those companies willing to talk, for the industry is tight-lipped, and especially so at such a sensitive time.

It is estimated that the NCB will need six months before it can resume a normal flow of ordering of new equipment. It will take this long to sort out where the main problems in the neglected pits are and what, if anything, can be done about them.

During this period, the main NCB spending will be on spares and equipment needed for repair and maintenance – "bits and pieces" as Mr Ian Little, chief executive of Anderson Strathclyde, one of the biggest companies in the industry, describes them.

"In volume terms, this won't amount to much," he added. "There'll be no bonanza." Normally, the NCB spends between £100m and £120m a year on spares. This comes out of its revenue spending and is not part of the capital budget.

But in the current financial year to end-March 1985–almost coinciding with the strike period–this has been reduced by more than half to about £45m, said Mr Ralph Rawlinson, who retired as the NCB's technical director at the end of February.

This has gone into the areas which have continued or resumed working and also into those where the NCB has been able to anticipate the post-strike needs. But knowing what needs to be done in the aftermath of the dispute is not easy; the NCB has a 40-page report from all its areas setting out the known or likely state of the coal faces.

When the strike began, there were about 490 working coal faces. But 38 of these have been lost as a result of not being worked during the strike. Another face that was being developed has also gone. So, too, have 22 salvage faces which had been worked out, but from which it had been hoped to retrieve equipment for possible re-use.

These 61 faces–a third of them in Scotland–represent 12 per cent of those being worked before the strike. Of those remaining, Mr Rawlinson said normal or near-normal working levels should be resumed after four months.

Where replacement faces have to be mined, tunnelling the underground roadways could take six months to a year, depending on their length. The value of lost equipment from these faces could exceed £150m. It costs around £2m to replace a coalface, but this can double if the face is a large one.

Problems have occurred in Scottish pits, because of the wet weather which has caused extensive corrosion of mechanical and electrical equipment. This could also be true in parts of the north-east of England.

Mr Rawlinson said capital spending on new equipment had not dropped too much during the strike from its usual £150m level. This covers the plant needed to work the coalfaces and drive the underground coal-carrying roadways.

This is partly because not all areas were on strike and partly because of the long lead times for most investments by the NCB. Much of the delivered equipment, however, is lying idle until it can go into the mines.

Because of the industry's general reticence and the fact that many manufacturers are part of larger groups, assessing how the main companies have fared is not easy.

Anderson Strathclyde, now part of Charter Consolidated, has an annual turnover of £155m, of which just over £60m represents NCB contracts. The strike has probably cut £20m or more off that, though Mr Little did not give a firm figure.

The company employs about 3,600 people in the UK, mostly in making coal-cutting equipment and machines for driving the roadways. It has had to put some 3,000 of these on short-time working. But it also reckons its exports for the 1984-85 financial year to March 31 will exceed the previous £25m record.

Babcock International normally sells about £35m worth of equipment (mostly chains, belts and assemblies for coal conveyors) to the NCB. Mr Barry Jones, head of the Babcock Mining subsidiary, reckons this will be down 40 per cent over the past year.

Northern Engineering Industries makes mining locomotives, winders, and electrical gear worth nearly £30m annually in NCB business. A lot of the 1,400 workers in this sector have been on short-time, though rising export business – including a Chinese order – meant this could be stopped late last year.

Some of the 2,500 workers at Dowty, a maker of hydraulically powered roof supports and conveyors, have also been on short-time. Dobson Park, MS International, and Hawker Siddeley are other companies affected.

Brewer wins hearing

BY CARLA RAPOPORT

WHITBREAD, the UK brewer, has won the first round in its legal battle against a former employee of its U.S. subsidiary, Buckingham Corporation.

According to Whitbread North America, Buckingham has won a preliminary injunction preventing Mr Stephen Karp, a former Buckingham executive, from distributing two brands handled by Buckingham: Mouton Cadet Wines and Finlandia Vodka.

Mr Karp was planning to distribute the two brands through Principal Imports, a distribution company funded and controlled by the owners of the brands, Baron Philippe de Rothschild and Oy Alko Ab.

Judge Gerard Goettel of the U.S. District Court of New York, southern district, granted the injunction saying that the plaintiff (Buckingham) has demonstrated that it will succeed in showing that Mr Karp breached his fiduciary duty to Buckingham and that the comany will suffer "irreparable harm" as a result of Mr Karp's misconduct.

Buckingham's suit alleges that Mr Karp secretly arranged his own business relationship with the two Buckingham suppliers and "misappropriated confidential information and trade secrets."

Whitbread bought Buckingham for $110m last October from Beatrice Companies. Buckingham's major importing franchise is Cutty Sark whisky, which is not involved in the current dispute.

Vision aid for RAF jets

By Bridget Bloom, Defence Correspondent

THE ROYAL Air Force will shortly embark on a £200m programme to introduce night vision aids into its Tornado and Harrier jet aircraft.

British Aerospace Dynamics, GEC Avionics and Ferranti are among the companies competing to develop and build the new thermal imaging devices

Thermal imaging is in quite widespread use with Nato's armies, but these first generation systems are based on techniques demanding a low level of light for effectiveness. The new devices are based on techniques using infra-red, and are claimed to provide almost as clear a picture to emerge from complete darkness or fog as would come from a black and white television camera in normal light conditions.

THE ARTS

Television/Godfrey Hodgson

The box, seen by itself

If you want to write a history of painting, you write it just like a history of the Queens of England or the decline and fall of the Roman Empire. It helps to have pictures. But histories of painting are written with words. There have been attempts to market selections of the masterworks from Josquin to Cage. But the best histories of music are still books.

The natural way to tell the history of television, on the other hand, is on television, and the wonder is that no one had thought of doing it before. Again, there are books about the history of television. But the best of them, Erik Barnouw's *The Image Empire*, stops short in 1970; and none of them quite captures the peculiar power of television that lies in its absolute immediacy.

The greatest practitioners of the art have understood this hidden source of television's power. "See it Now" was the title of the pioneering show presented by Edward R. Murrow and Fred Friendly. With it, current affairs television came of age. Walter Cronkite used to sign off his nightly U.S. newscasts with "That's the way it was." Sir Robin Day says during Granada's multi-part history of the small screen called *Television* (ITV, Tuesdays 9.00 pm) that "it has been shown to be . . . a medium of emotion and not of intellect."

The Granada history has the strengths and the weaknesses of television itself. It moves at the choppy, staccato gait of a *news bulletin. In the opening* programme of the series, this nervous rhythm is pushed to the brink of incoherence. The audience is not so much snowed under as hailed under with myriads of statistics and superlatives.

Even in that first programme, the weakest of the five I have watched, this same television style has its advantages. It zaps across sub-atomic particles of image and information, each of *high emotional energy*. Six hundred and fifty million sets. Two and a half billion viewers. Eight hours a day. Much of the comment, though, is meaningless hyperbole. "The century will never be the same again." Er, no, exactly, and so what else has been new since the battle of the Somme, the Russian Revolution, the T-model Ford, *Horishima, mon amour*? You never stop the same century twice.

But if the first programme had something of the mindlessness of television, it had something of its immediacy, too. In a book you would describe the breakneck race of the medium, multiplying channels, stations, viewers at such and such a rate. On television, you convey your message far more effectively by *showing*, as Granada did, a moustachioed black hobbyist on a rooftop in the Bronx. He doesn't keep pigeons there. He keeps a satellite dish on which today he can receive more than 300 channels of television. Tomorrow, 600.

The second programme, *The Race for Television*, produced and directed by Leslie Woodhead and more like a classic documentary in style, described the competition to make the first television broadcasting available.

It was all so long ago, for one thing, and yet so close to us in time. Who knew that television experiments started in earnest as long ago as the 1880s, *long before* radio was a practical reality? And yet, if not the pioneers, at least some of their assistants and fellow-workers still around to reminisce with many a twinkle about the breakthroughs of the 1920s when John Logie Baird, with his flair for publicity, was making all the running, pursued hotly by rivals from America, Russia, Japan, and France.

Philo T. Farnsworth, for example, was the great, ultimately defeated, rival of General Sarnoff at RCA; and here was his wife, Elma Farnsworth, alive and well in San Francisco, recalling how her inventor husband confessed to her on their wedding night that there was another woman in his life, called "Television," and proposed a *ménage à trois* that seems to have worked out happily. She remembers, too, how almost 60 years ago one of her husband's bankers called up and said: "When are we going to see some dollars from this thing, Farnsworth?" From the start, the thing was perceived more clearly in America than anywhere else as a dollar-machine.

It has proved to be a machine with *many purposes. From the* start, no one had any difficulty in seeing what power these flickering images were going to deliver to someone. But to whom? And what would they use it for?

An old lady was interviewed who could remember seeing one of Baird's demonstrations as a schoolgirl in Selfridge's in the 1920s. It was disappointing, she remembered, because of all those flickering lines. But it was also frightening, because it seemed that "we could see them, and they could see us."

Most perceptive of all, perhaps, was the emigré Russian scientist, Isaac Schoenberg, who worked for EMI at its labs in Middlesex, the Silicon Valley of the 1920s. One of his assistants recalled him coming *into the control room after a* successful demonstration, and saying to his team: "You seem to have perfected the greatest time-waster of all mankind. I hope you use it well."

Television has been used in many ways. *It has developed* a number of distinct forms and grammars, and this Granada series deals with most of the major ones. Later programmes will look at entertainment, serials, serious drama, documentary, comedy and educational television, as well as at the impact of the medium on elections and political campaigning in democracies.

So far, however, the most impressive exercises in this untried medium of television history were the fourth and fifth episodes both produced and directed by Michael Beckham.

The first, *News Power*, was structured around coverage of the news on one particular day: as it happened, a day when nothing of cosmic significance occurred—unless you count Roy *Jenkins's resignation as leader* of the SDP—in London, New York, Moscow and Tokyo.

It used flashbacks to trace the development of the news technique from the 1950s. There were embarrassing quotations from the BBC's *Television Newsreel*, in which plummy voices recited patronising snippets of information about lace-making in Honiton. Sir Hugh Greene remembered how the ideal story was one about the Queen Mother *in which nothing happened!* And Christopher Chataway remembered how the late Aidan Crawley asked him how he was going to begin an *interview with a visiting states*man. "I thought I would say to him, 'Well, sir . . .'" Chataway began. "Wrong," said Crawley.

John Logie Baird . . . he made all the running

"Don't say 'Well' and never say 'Sir'."

The death of deference, I suspect, is only one of the transformations of our British *folkways that we owe to tele*vision, and, via television, to the United States. One of the themes of *News Power* was enunciated by Paul Fox, the head of Yorkshire Television. The world-wide news formula, Fox says, was invented in America, and the key to it is personality: it is "reporter-based." I think that is essentially right. Which is not to say that the cult of personality, as exploited by the gravel-voiced show-offs of American network news, cannot sometimes become self-parody.

What American television news does superbly well has little to do with informing the viewer but to do with turning them on and keeping them hooked. News pushers create news junkies. Beckham showed an example.

The news helicopter belonging to a station in Phoenix, Arizona, followed a police chase *from the air, and I found my*self watching transfixed as a squad car tried to ram a fleeing van but spun out of control, and as the pursuit finally caught up at the entrance to a streaming freeway. But, as the chopper-borne reporter admitted, it was not by any stretch of the imagination an important story.

The great breakthrough came when the camera itself became the reporter. And Beckham's second film, *The Power of Images*, explored the consequences and implications of this discovery with critical insight and an unusually strong sense of the historical process.

It showed how the American television networks first discovered the power of pictures in Vietnam. At first those pictures, of American patrols always going forward and calling in air support with god-like impunity, encouraged support for the war. Then came the Tet *offensive. The pictures now* were of America's enemies attacking the U.S. embassy in Saigon, the very bastion of American power in Vietnam, and of America's allies casually executing prisoners of war.

It was the *discovery* of the lightweight 16 mm camera in 1960 that made possible the seductive coverage of John F. Kennedy campaign in that year. It is doubtful if the profound transformation of American society achieved by the black civil rights movement in the early 1960s would have been possible without the roving portable film cameras that showed protesters assaulted by firehoses and police dogs. The supreme irony was that Kennedy, whose life had been celebrated by the new cameras, received his apotheosis through their lenses after his death.

This is a great venture, greatly conceived, and executed with sophisticated understanding and great technical skill. It explains much that most of us do not understand about television. It also reminds us what a rich national resource we have in Granada.

* * *

An apology (or, as the classicists say, *mea maxima culpa*. I thought I had seen the last of *In Search of the Trojan War*. It ought to have been clear from my review that I am delighted that there was another episode on Sunday and that there are still two more to come.

NW Theatre/Charlotte Keatley

Brave companies

How do you assess "success" and "achievement" in Britain's regional theatres? In terms of the number of new plays and original interpretations in a theatre's repertoire, or in terms of box office figures? At present, the two are incompatible.

In the North-West there are 10 repertory theatres. Eight are at present launching new plays into a theatrical climate which looks more ominous every year. This is not due to anyone coming up from London with a watering-can to nourish the Glory of the Garden, but to the commitment of the directors and the undaunted energy of the playwrights, actors and the technical teams working in these theatres.

I don't think there is another region in Britain — including London — which has such an impressive and brave proportion of new plays, young companies and a theatre population (both in audience figures and theatre practitioners) which actually is growing.

John Adams has just completed his first year as artistic Director of Bolton Octagon, during which the box office has *increased by 30 per cent. Come back to the Five and Dime, Jimmy Dean* is a British premiere of Ed Graczyk's play. It runs until March 30.

This is a woman's play: five women meet in the Texas town of their girlhood to commemorate the death of Jimmy Dean 20 years before in 1955. The ghosts they re-awaken are their own, rather than that of their hero.

The actresses convincingly create the familiarity of shared girlhood. John Adams directs the production as part comedy and partly a psychological thriller about lost identities — keeping us in suspense until the *last moment*.

Oldham Coliseum is the only North-West theatre with a woman as artistic director: Pat Trueman. She commissioned Bob Mason to write *Cleaning Windows*, a play about George Formby, which runs until April 6.

As a stage biography, Mason has the right blend of factual titbits carried by a stage language of convincingly Formby idioms—"I'm gabbing for a brew," he says, looking "like a cocker spaniel with an inferiority complex." But the play's theme — the pressure of public life on a privae relationship, personified in Formby and his business-manager wife, Beryl, is dealt with superficially in preference to Formy the entertainer.

Beryl is caricatured unfairly by the script and costumed like an overdressed Easter egg, but Linda Polan succeeds in conveying dignity perched on despair. Malcolm Hebden excels as Formby's agent, Emile Littler, with a marvellous laconic comic timing. But it is Fine-Time Fontayne who carries the evening. With *stunning precision*, he impersonates Formby's flashing eyes and toothy grin, as well as the duck-footed gait and even the wheezy chuckle that punctuates the famous banjolele songs (which he plays with superb assurance).

The most important contribution to the North-West so far has been made by Contact Theatre, Manchester. Under the new artistic directorship of Tony Clark, a season of three unknown writers, presented as *First Impressions* runs in repertoire until April 6. The impression is a vision of Britain today; all three share a common theme of prejudice, whether on the basis of race, age or sex.

Face Value, written by Cindy Artiste, and directed by Clark, is the most traditional in style but original in subject. It depicts Britain's racial prejudices as a personal equation: resentment between two daughters and their mother, whom they discover to be black.

Green, written and directed by Clark, is an achievement of poetic economy—lines like "a cloud slouches across the sun" sets a scene on the beach; old people are nicknamed "Wrinklies" while the punk generation appear to them as "Gargoyles," which immediately informs us of two underlying prejudices.

Characters are unfolded gently with a Chekovian sense for the idiosyncrasies of human nature, ruffling expectations and prejudices in the audience as much as in the stage situation. I particularly liked Liz Kelly's purse-lipped grandmother and the visual motifs of the direction: for instance, spinach picked fresh in Act 1 is eaten at dinner in Act 2.

After Mafeking, by Peter Bennett, opens on March 20.

Endymion Ensemble

Andrew Clements

The opera that Glyndebourne has commissioned from Nigel Osborne is to have a libretto by Craig Raine. It will be based upon a short story by Boris Pasternak, but Osborne's songcycle *Pornography*, which was given its first performance at the Purcell Room on Monday, sets four of Raine's own poems *from his collection Rich.*

Raine's poetry is always saturated with over-ripe imagery and must confront any composer with formidable problems in finding effective musical metaphors that can match its vividness. In the first of his songs, "Code Napoleon," Osborne *derives* the basics of his sound world from a single verse—"kilos of castanets/and one child, executing/his angry flamenco"—and generates from it characteristically jagged ostinatos which recur transformed elsewhere in the cycle.

The writing for mezzosoprano is largely declamatory; the second song, "Words on the Page," is gently lyrical, but the remaining two hold only tiny oases of repose. "City Gent" is cast *in something* quite close to old-fashioned ternary form, as Raine builds a kaleidoscope of images out of a perfectly mundane scene. "*Gauguin*" is perhaps the freshest of the set, a poem in Pidgin English sung with a highly exaggerated vibrato and coloured by echoes of a steel band. I don't think *Pornography tells us anything* new about Osborne, but it does confirm his sure imagination and ability to conjure pungent textures that are genuinely memorable.

Linda Hirst was the admirable soloist, as she was later in the concert for Dominic Muldowney's *The Duration of Exile*, settings of Brecht written for the Endymion Ensemble in 1983 and exploring that understated neoromanticism which *seems to have taken over* Muldowney's music of late. The remainder of the programme—Simon Bainbridge's *Voicing*, Knussen's *Ophelia Dances* Book 1 and Vic Hoyland's *Fox*—was handled rather awkwardly by John Whitfield and his players. The Hoyland, in particular, an Endymion commission in 1983, strikes me on second hearing as a peculiarly imaginative *piece which cries out for* a totally assured performance.

Week In Week Out/Soho Poly

Michael Coveney

Tunde Ikoli's play for the touring company Foco Novo, funded by the GLC, is about a *GLC-funded* co-operative in an East End clothing factory. Bit *incestuous, perhaps*, but Ikoli knows his subject, being a Whitechapel lad of mixed parentage who has worked as a cutter: one of the best episodes in Tim Fywell's production shows the staff in full working *flow stopping to reject a* new order because it does not conform to the agreed jacket style.

The order has been fixed over a *liquid lunch* by the foreman of the old firm, a half-hearted member of the co-operative, who is in fact committing the old mistakes of using cost-cutting materials and kowtowing to the demands of dubious *contacts. Mr Gold's firm has gone* bust, partly because he produced jackets the staff would not be seen dead wearing ("they're for 45-year-old teenagers"). And partly because he underestimated the love his workforce has for the business.

So the piece is a good-humoured call for worker participation, and the final twist — predictable a mile off, I'm afraid — *sees Mr Gold return*ing to his family premises in answer to an advertisement for a production co-ordinator.

The writing sets out the individual reponses to the call of the corporate cause a touch too glibly. There is Maria Charles as good old Elsie, who was never even told what her husband earned; Cindy Shelley as the engaged (in both senses of the word) machinist whose job becomes her life; Debbie Roza as the submissive Asian girl who defies rigorous *domestic expectations to spur the* revolt; and Larrington Walker as the easy-going cutter who sees the dangers of taking the revolution too seriously ("We exploiting we selves, man!").

Too static in some parts, too prolix in others, the show nonetheless touches convincingly on *important areas of industrial* relations, and there is no section of British industry that cannot benefit from any impassioned debate induced by the theatre. Peter Attard has a fine Malvolio-style exit as the unreformed foreman ("You NEED ME"); and Harry Perscy is the compliant Jewish boss who starts the ball rolling by his inability to supply quality stuff *to the big chains*, a veritable disillusioned Thatcherite.

Andrew Ball/Wigmore Hall

David Murray

Andrew Ball's recital on Monday showed him to be not only a pianist of serious musical ambitions, but one capable of realising them in breadth and depth. His chosen pieces were successively more demanding, but neither his tone nor his rigorous concentration faltered —even in his concluding Charles Ives sonata, the wild, almost legendary "Concord." But he began with Janácek's suite *In the Mist: deceptively simple in its improvisatory* manner, half folk and half purely personal, a case of unadorned thinking-aloud. Ball addressed each pungently gentle movement with the closest sympathy, and always managed to *preserve the sense of a private* voice while projecting the music strongly enough that one missed no expressive detail.

Symon Clarke's new *Ouvrage en Mosaique* proved to be ambitiously long and loud. Its five substantial sections are derived —rather too overtly—from a *series of complex chords*, and indeed there is a lot of hammered chordal writing. With continual hints of tonality, but developed in other, non-total *ways, the surface of the music* inevitably recalls Messiaen every minute or two; there are no deeper similaries, I think. Ball expounded it all with clarity and fervour, but couldn't conceal the fact that Clarke doesn't yet command the variety of piano diction needed to enliven so large a tract. Over the long haul, it made ungrateful listening.

Ives "Concord" Sonata was splendid. There, of course the piano writing is *extravagently* rich, heroic to the point of craziness; and Ball was equal *to it. The opening* "*Emerson*" movement was properly bigboned, with its Beethovenian apparatus kept firmly in the foreground; the fantastical flights of the "Hawthorne" scherzo got full pianistic value, *and quick imagination. Ball* brought a lovely gravity to "The Alcotts," faithful to its sentiments but strictly unsentimental. And in the final "Thoreau," not only did Ball expose its reflective depths with *sure hands, but Ingrid Culliford* made the offstage flute at the end (officially an eccentric Ives "option," but the sonata should never be heard without it) quite magical — *in fact*, moving beyond expectation.

Ashkenazy/Festival Hall

David Murray

As originally promised, Vladimir Ashkenazy's Sunday recital was to comprise a rich half-programme of Skryabin—three sonatas, and other substantial *pieces*—with an answering half of music by his fellow-student, Rakhmaninov. For unannounced reasons, Mr Ashkenazy chose instead to scrap all his Skryabin in favour of a handful of familiar Chopin pieces, which made a *shortish* recital (with a very long interval).

The announced Rakhmaninov was retained: the late "Corelli" Variations, and six of the op. 39 *Etudes-Tableaux*. There is a famous Rakhmaninov letter that *reports the fortunes of the* Variations at their earliest performances, during one of his North American tours; the work was never played complete, for Rakhmaninov cut this and that variation according to the level of *audience-coughs. Had Ash*kenazy imitated the composer's self-deprecating caution, Sunday's performance would have been brief, for it had to compete with positively terminal hacking. Not Ashkenazy's fault—he treated the theme and the first variation as fresh improvisations, as if testing half-formed possibilities, and made refined sense of the best later variations; but the set is hobbled cruelly to its home key, leaving small room for any overall dramatic curve.

Among his chosen *Etudes-Tableaux*, Ashkenazy offered a beautifully developed reading of the A minor one. *All the* others were a little underplayed, granted always his idiomatic grasp and his civilised touch. The C minor was hasty and breathless, the subtle variety of the right-hand figuration swallowed by a domineering bass; the anxious treble plaint of the F-sharp minor was underprojected, too. In the rhetorical E-flat minor, Ashkenazy suppressed Rakhmaninov's markings and brought the big tune back *piano*—moderately effective, but it made for a lengthy dying fall—and the grand D major failed to set the great *bells ringing*.

The Chopin was at once deeply practised and perfunctory. In the sublime Fourth Ballade the long windings of the main tune were innocently brisk for long stretches, with fitful irruptions of deliberate Expression that left no aftertrace. The nodes of the piece—inspired turning-points—were prosaically smooth. The poignant recapitulation of the C minor Nocturne was, unbelievably, salon-brittle; the Third Scherzo was efficient and fleet, and the G-flat *Impromptu* rather charming. Afterward, it was hard to credit that we had just heard an inexhaustible Chopin masterpiece and two of his most potent middle-size works. Ashkenazy's fingers are in *good order, but his mind* seems to be on other things.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

March 15–21

Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rustling around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides *with the Ballets Russes. Gems in*clude There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as *Peggy Sawyer, and Margaret* Courtenay has a field day (836 8108).

Two Into One (Shaftesbury): Donald Sinden and Michael Williams head the cast of *a blissfully funny farce* by Ray Cooney in the old Whitehall tradition. An irate manager, Lionel Jeffries, declares: "There's far too much sex going on in this hotel, and I'm not having any of it." Not to be missed. (379 5399).

Mother Courage (Barbican): Fine RSC presentation by the design team of Cats – John Napier and David Hersey – with Judi Dench as a scavenging, music hall and finally moving Courage pushing her elaborate cart of stage machinery through the Heavyside Layer. Howard Davies directs, good support from Trevor Peacock, Stephen Moore and Zoe Wanamaker. (628 8795).

Waste (The Pit): Riveting RSC revival *directed by John Barton of Gran*ville Barker's 1907 once-banned play about a politician destroyed by an adulterous liaison leading to an abortion, a death and a suicide. Daniel Massey, Judi Dench, Charles Kay, Tony Church and Mark Dig*nam in a stellar cast.* (628 8795).

Coriolanus (Olivier): Peter Hall's best production to date at the National, Ian McKellen a splendidly historic thing of war, thrilling use of the Olivier's arena architecture, Irene Worth never better as Volumnia. In all, a thoroughly lucid exposition of a great and complex play with an *NT company that for once resem*bles an ensemble. (928 2252).

The Hired Man (Astoria): Worthwhile new musical of Cumbrian *agricultural and war-time life*, based on a novel by Melvyn Bragg. Persuasive anthems, marches and chorales composed by Howard Goodall, with a high standard of singing and *musical direction. Lyrics and book* less secure. (734 4287).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit *with Robert Lindsay in the Lupino* Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Little Eyolf (Lyric, Hammersmith): Ibsen's powerful drama of retribution strongly acted by Diana Rigg, Ronald Pickup and Cheryl Campbell but flawed by a pedestrian design. A great play not seen in London for 20 years. (741 2311).

The Lonely Road (Old Vic): Anthony Hopkins and Samantha Eggar in Schnitzler's affecting play of memory and regret, old age and lost love, played, a little obviously, as a Freudian casebook. Amid all the alienatory mumbling and white screens, Hopkins has a few strong moments of still, expressive desolation. Again, a collector's item. (928 7616).

WEST GERMANY

The Mousetrap by Agatha Christie, directed by Brian Sheehy, with a cast including: John Adam-Baker, Penelope Charteris, Fiona Evans, Alan Goodson, James Hagan, Vyvian Hall, Maxine McFarland and Brooks McKay. The English Speaking Theatre, Frankfurt, Hamburger Allee 45 (069-777466). Closed Mondays.

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic *only in the sense of a rather staid* and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle *Off To Buffalo* with the appropriately brash and leggy hoofing by a *large chorus line.* (977 9020).

Torch Song Trilogy (Helen Hayes): *Harvey Fierstein's ebullient* and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite *the forced effort to recreate* the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organisation has generously decided to name *the theatre after the generation's* outstanding box office draw. (757 8646).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight *years but also updated the musical* genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

The Real Thing (Plymouth): *After* 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, directed at a fast clip by Mike Nichols. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work *well with Tony Straiges's pretty set* and James Lapine's book which changes gears in the second act. (239 6262).

Noises Off (Brooks Atkinson): The closest Broadway gets to the British farce tradition is this import of Michael Frayn's *funny backstage view* of all the slamming doors and dropping drawers. (245 3430).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to cap*ture the feel of the sweet and hilar*ious original between high-kicking and gaudy chorus numbers. (757 2626).

CHICAGO

Riches to Ragtime (Pheasant Run): *World premiere of John Reeger* and Ed Flesch's view of scams and fast talkers by combining Scott Joplin tunes with O. Henry characters. Ends Mar 31 (261 7943).

On the Razzle (Absolute): Michael Leavitt directs the local debut of *Tom Stoppard's interpretation of* the Johann Nestroy farce. Ends Mar 31 (327 5252).

TOKYO

Barefoot in the Park: The Japanese version of Neil Simon's play directed by Yutaka Kobayashi. Long Run Theater, Shimokitazawa. (414 0961).

Love Call (The Japanese version of *Bells are Ringing*), a musical comedy set in New York starring Akiri Fuse and Ran Ootori, Japan's most professional musical star. Geijutsuza, Yurakucho (591 7633).

Chorus Line: The Japanese version by the Shiki company, best-known for Cats, Japan's longest-running production (one year) and a sell-out. Nissei Gekijo, near Imperial Hotel. (320 4000).

Chita Rivera Show: Songs and dances from Broadway shows (in English) by this tremendously energetic ve*teran performer who first appeared* in the original West Side Story and whose most recent performance was with Liza Minelli in The Rink. Hakunhinkan Theatre Ginza. (571 1003).

Guys and Dolls (Takarazuka All-Girls' *Troupe*): This Japanese version given the full treatment in what is probably the show's most lavish production to date. Cast of 70 in a spectacular version of which the 20 minute finale is a special feature of this troupe. A speciality of Japan, *Takarazuka* is the counterpart of Kabuki where the girls play the men's roles. Takarazuka Theatre (near Palace and Imperial hotels). (591 1711).

Saleroom/Antony Thorncroft

Artist sets a record

The strong demand for British watercolours which was *apparent at last* week's Sotheby's sale was maintained at Christie's yesterday. Its auction totalled £293,306, with 6 per cent unsold. Many lots far exceeded their estimates.

Peter Nahum, ex-head of Sotheby's Victorian pictures department and now a dealer, paid £27,000 for a drawing of Brighton, made by Constable in 1824 showing fishing boats on the beach. The Victoria and Albert Museum paid £14,040 (double the top estimate) for a watercolour by William Pars of Horace Walpole's Gothick villa at Strawberry Hill. The price was an auction record for the artist.

London dealers were active buyers, Ivor paying £13,500 for a *Turner* view of Llanthony Abbey in Monmouthshire, and Agnew securing a view of Tiberias, on the sea of Galilee, by David Roberts for £12,960 and *St John's Hospital Canterbury* by Peter de Wint for £11,880. Another London dealer, Richard Green, bought de Wint's *Windmills near Lincoln* for £10,800.

An unusual pastel by Sir Thomas Lawrence, *Mad Girl*, was bought by the Philadelphia Museum of Art for £10,800, and, continuing in the same vein, a sketch to illustrate the passions, in this case *Avarice*, by Richard Dadd, imprisoned in Bedlam after he murdered his father, sold for £9,720.

Phillips is disposing of the family pictures of the late 7th Earl of Craven *and has so far* amassed £1m from the sale. Yesterday a portrait of William (later the fifth earl) painted at the age of five by Giovanni Boldini in 1902 was bought by the Bury Street Gallery in London for £90,000 (as against a top forecast of £15,000). William's American mother as a child, painted in 1881 by Emile-Auguste Carolus-Duran, went to Colnaghi for £14,500.

The comparative cheapness of Old Master pictures is underlined by Sotheby's estimates for *its sale* on April 3rd. The auction contains a previously unrecorded picture by Guido Reni of *David with the head of Goliath*. Works by Reni, now regarded as one of the greatest of Italian 17th century artists, are rare but this major work is not expected to make much above £250,000.

LETTERS TO THE EDITOR

Multinationals and the unions

From the Managing Director, Ludvigsen Associates.

Sir,—Brian Groom usefully set forth (March 12) the current state of play between the multinationals and the union organisations representing their workers. In our view, however, the rosy perspective he paints may be unduly comforting to the multinationals.

We do not believe the article adequately stressed the difficulties that unions have in pressing their initiatives in times of economic difficulty and high unemployment in many countries. It has been quite natural to experience the swing of the pendulum in favour of the employers in such circumstances.

Managers of multinationals can be sure that the unions will continue their international efforts in order to prepare themselves for renewed campaigns when conditions of improved prosperity make quality of work life the issue rather than the existence of any jobs at all.

K. E. Ludvigsen.
105-106, New Bond Street, W1.

On the doorstep of change–plenty of bottle for a fight

From Mr P. Kreamer

Sir,—Tony Jackson's article of March 13 "On the doorstep of change," once more impressed me with the contradictions which surround the glass bottle as a vehicle for edible liquids. Why can't we, just for once, exploit the milkman's love and the supermarket's dislike of the thing, for the benefit of the consumer?

I refer to the traditional sauce bottle. It's still made from glass and for the whole of my lifetime notoriously difficult to use. It invariably releases none or most of its contents, never the amount desired. Were these viscous liquids packed in the modern one pint milk bottle (the same volume as one current size of sauce container) with a snap on plastic top, this problem would be solved. And when empty a simple wash would remove the label and render it a welcome gift for the milkman.

The altruism of the sauce maker taking up this idea would no doubt be displayed on his label and enhance his sales.

Peter Kreamer.
39, Bell Lane,
Eton Wick,
Windsor, Berks.

From the Director, Glass Manufacturers Federation

Sir,—Your interesting article on milk packaging (March 13) raised a number of points which deserve further amplification.

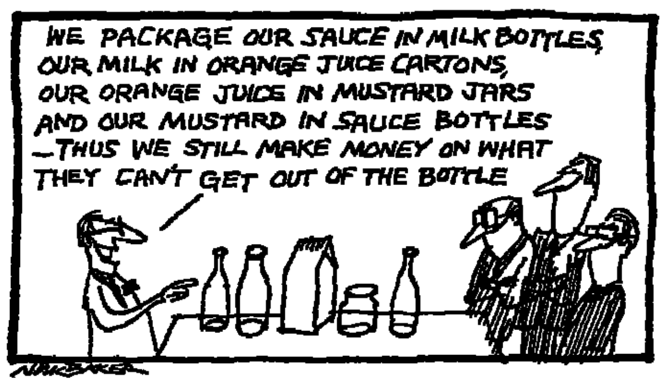
It is certainly true that glass makers have been under attack from new packaging materials. We are, however, fighting back and glass is acquitting itself well in the battle. In spite of losing ground in the soft drinks sector last summer, the total market for glass containers rose by one per cent in 1984.

One of the reasons for this recent growth is perhaps that when consumers are offered a choice they prefer products packaged in glass. A Marplan survey showed that consumers believe the best milk comes from a glass bottle because the contents are kept fresh for longer, it pours easily and the taste is not tainted. Now doorstep delivery supplies the increasingly popular low-fat milks in glass bottles whereas previously they could only be bought in shops in cartons.

Continuing product development—new design and lightweighting—has kept the economic advantage with glass, and even increased it. The latest dairy industry survey shows that 82.7 per cent of milk is sold on the doorstep. No small share, and one we are fighting to keep with the support of the consumer. Also please do not forget the growing section of the market-place which is insisting on "community friendly" packaging. The milk bottle is the epitome of an efficient recycling system. It is good for about 25 trips and at the end of its life it is returned by the dairies to the glass manufacturers to begin life again.

Have carton and plastics manufacturers told milk consumers of the extra costs which the community will have to pay in terms of transport and landfill sites in order to dispose of 165,000 tonnes a year of their non-returnable containers if the not-so-humble milk bottle is done away with?

Oliver C. T. R. Normandale.
19 Portland Place, W1.



Driverless trains

From the Editor, Railway Gazette International

Sir,—The Central Electricity Generating Board is right to demand that British Rail cuts its rates for moving coal where road hauliers have demonstrated that they can do the job at lower cost, as you reported on March 14. The productivity of train crews remain deplorable, especially on short hauls to power stations where drivers average less than 30 miles per working day and guards are not needed at all.

With British Steel Corporation taking a similar tough line after the railways let it down so badly during the miners' strike, BR needs to demonstrate with great urgency that trains really are cheaper than lorries for moving bulk freight. More is required this time than empty promises about negotiating less restrictive train manning agreements; operating methods must be changed too so that fewer locomotives and wagons are needed.

The answer lies in the rapid introduction of driverless trains. Automation would allow small trains carrying 600 tons of coal powered by a 1,000 hp Class 20 diesel to be operated by a combination of radio data links and transponders on the track linked to signals—cheap technology that has already been developed by BR for other purposes.

Economic benefits from automation go far beyond saving the driver's wages. On hauls of 10 or 20 miles—typical of power station coal movements—rolling stock utilisation goes up as trains become smaller because they spend less time being loaded and unloaded. Moreover, today's coal train scheduling attempts to minimise crew costs. It would not be unrealistic to expect a 30 per cent improvement in locomotive and wagon utilisation once these constraints were removed. Added to the saving in wages, there is scope for a cut in rates and a generous return on the investment in automation.

Richard Hope,
Quadrant House,
Sutton, Surrey

Covering the Middle East

From the Editor, Special Reports and Business Features, Middle East Economic Digest

Sir,—I hope that in the interests of fair play to readers, who are not regular subscribers to Middle East publications, that you will allow me to correct the inaccurate statement published in the FT's announcement of March 11 concerning a forthcoming survey of Iran.

While the poposed survey may be the first by your publication since 1978, it is categorically not "the first by any major international publication since before the revolution." That distinction accrues to Middle East Economic Digest (MEED) which published a comprehensive business, political and economic report on Iran on November 9, last. I and my colleagues will read the FT, March 25 survey with the same interest as I am sure your staff have already extended to our highly successful report.

Robert Bailey.
21, John Street, WC1

Action on car pollution

From the General Manager, Autocatalyst Division, Johnson Matthey Chemicals

Sir,—This highly topical debate and questions of lead-free petrol, catalytic converters and lean-burn engines must be most confusing to the man-in-the-European-street. If British, his children are reputedly subjected to intelligence-stunting lead; if German, Swiss or Austrian, his forests are being gassed; if Scandinavian, his lakes have been turned into chemical reactors. In any event, effluent of the motor of the Western economy—the internal combustion engine—is under deep suspicion.

European environmentalist pressures in regard to car pollution lag behind those of the U.S. and Japan. In these countries legislation in the early 1970s forced the birth of an entirely new technology—the catalytic convertor. This has now been thoroughly accepted and in the words of a senior U.S. motor industry executive "was the most trouble-free new product introduction ever—including the hub-cap." The technology of catalysts and associated engine management systems is far from static and substantial advances have been made since the 1970s and continue to be made.

These developments anticipate the changes in technology necessary to meet the problems of European driving conditions described in Mr Fraser's letter (March 11). Thus on the basis of U.S. Environmental Protection Agency statistics, improved vehicle reliability, reduced maintenance cost and even improved fuel economy ensure that low-polluting catalyst-equipped cars cost no more over their lives than pre-catalyst cars. Of course statistics can and are used to prove (or disprove) anything!

The new "alternative" to catalytic convertors in meeting stringent emissions standards is the lean-burn engine now finding its way from the research laboratory to the showroom. At present only one such car is available and is sold only in Japan—others will certainly follow. But to meet Japanese exhaust standards this car is also fitted with a catalytic convertor. Perhaps this proves the level of acceptance of this technology in the U.S. and Japan despite Mr Fraser's proposal that catalytic convertors jettison new lean-burn technology—and vice versa.

P. G. Emmel.
Orchard Road,
Royston, Herts.

Board meetings in Beirut

From the Chairman and Chief Executive, Intra Investment Co. SAL and Bank Almashrek SAL

Sir,—Upon my recent return to Europe from Beirut, I noted with interest your February 22 article concerning the latest board meeting of Intra Investment Company SAL. There are some aspects of your reporter's story which are wholly inaccurate and others which require clarification and amplification.

The Lebanese Government, through its majority shareholding, effectively controls more than 51 per cent of Intra Investment Company. All strategic decisions made by senior management of Intra Investment Company and by its subsidiary company, Bank Almashrek SAL, have the full support and approval of the Lebanese Government's representatives on the board of directors and constitute the implementation of pre-determined Government-approved policies.

The equity holdings of the governments of Kuwait and Qatar amount to approximately $5m and $1m respectively. These are relatively inconsequential amounts, given the total reserves and resources at the disposition of these institutional shareholders, which are long-time members of Opec.

Failure of the directors representing Kuwait and Qatar to attend Intra Investment Company's board meetings in Beirut is therefore more probably a function of the relative modesty of their shareholdings, and to security problems, than to any imagined boycott over management strategy inside the Lebanon and abroad.

Saudi Arabian official sources, following the publication of your article, denied making my departure from Intra Investment Company, and its subsidiary, Bank Almashrek, in any way a precondition to its financial and other assistance to the Government of Lebanon.

Roger E. Tamraz.
P.O. Box 7384,
Abdulaziz Street,
Beirut, Lebanon.

Uncommon unity of interests

From Mr J. Dunlop

Sir,—The new procedure to be introduced after April 5 of deducting tax at source on interest bearing bank accounts will have an effect so far not publicised. If interest is credited to a depositor several times per month as hitherto, presumably the tax will be debited at the same time. This means that over the year the gross amount of interest will be reduced resulting in a loss both to the tax payer and to the Inland Revenue which will lose the tax on lost interest. This is because only the net interest will be compounded.

This loss could be avoided if instead of the interest being credited to the depositor's account when it is earned it were to be held in a suspense account until the end of the tax year and credited in a lump sum, the tax due being debited at the same time.

There does not seem any legal or practical reason why this should not be done as it is in the interest of both the tax man and the tax payer, a fairly uncommon unity of interests I think one would agree.

John P. C. Dunlop,
17 Randolph Crescent,
Edinburgh.

Competitive pressure

From Mr A. Phillips

Sir,—Michael Prowse (Lombard, March 11) suggests that we do not need professions at all. As he puts it "there are law schools and medical schools but no 'oil schools'."

Mr Prowse, along with many others (particularly in Government), seem to think that the only criterion of public interest worth noticing is that of competitive pressure. Competition, however, puts great strain upon honesty, undermines objectivity and can easily encourage the dominance of short-term considerations. Plainly all these tendencies can be resisted, but the very pre-occupation with competition in some insidious way undermines the prospects of resistance. The evidence is all around us.

Lawyers, besides having a prior duty to the courts, are in an increasingly pivotal position as regards standards generally. It would be sheer folly to pretend that the structures within which they work can be left to look after themselves, or exert no real influence on practical ethics.

Thus, while quite rightly rejecting the notion that professional organisations necessarily or always look to the public interest (they patently do not look at the conveyancing monopoly) we need to resist the excesses of today's competitive zeal and refrain from throwing out baby with bathwater.

For to pretend that naked market forces alone can provide sufficient protection for the public in the deep waters of the law is to fall prey to dogma.

Andrew Phillips.
Bates, Wells and Braithwaite,
20, Old Bailey, EC4.

Diesel engine economy

From The Manager, Technical Services, Petrofina (UK)

Sir,—I apologise for continuing the exchange of letters on the subject of diesel engine economy, but I feel obliged to respond to Mr Broome's letter (March 9) if only to refute the suggestion of a "rip off" by the oil industry over the price of diesel fuel on forecourts. Both petrol and diesel fuel are, after all, commodities manufactured and traded internationally and, as such, are subject to exactly the same market forces as any other commodity in which production and consumption are not always "in step."

At today's prices, for example, four-star motor spirit is being traded at $251 per tonne on the spot market against $244 for gas oil. In other words, the differential is 2.8 per cent! This reflects the competition between distillate transport fuels for the same fraction of the barrel and, if we Europeans deregulate air travel, this will produce a further increase in demand for jet fuel which will inevitably affect the price of diesel fuel.

The need to extract every useful litre of fuel from each barrel of crude to meet market needs means that more conversion processes are being introduced at refineries and it will be impossible to maintain the current high ignition quality of European diesel fuel (as compared with that sold in the U.S.) as refiners crack deeper into the barrel.

We do not, of course, quarrel with Mr Broome's claim over the differences in thermal efficiency between petrol and diesel engines; however the petrol engine is probably set for an increase of 30 per cent in efficiency between now and the end of the century, and comparison of past or present performances are misleading for the future.

In other words, our point is that while future technology will bring diesel and petrol engines much closer in relative thermal efficiency, refining economics will decrease future diesel fuel quality or significantly increase its price. Logic dictates that both automotive fuels should be taxed equally and highly discriminatory fuel tax regimes as found in some European countries can only distort buying patterns in the market place and are a disservice to the interests of the public in the broadest sense.

W. D. Davies.
1, Ashley Ave,
Epsom, Surrey.

No inky excess

From Mr D. McNelly

Sir,—The eminent merchant bankers of Frankfurt face one less problem than their London counterparts (March 12), it seems, for in their Continental editions the printed word is free of inky excesses. Paper, print and presentation are all impeccable. Kid gloves are not required after the marriage of modern technology with financial wit and wisdom. May we soon celebrate that happy event?

D. M. McNell.
115, Ashley Gardens, SW1

Commitment to monetary policy • Job schemes boost

Mr Nigel Lawson, presenting his Budget yesterday, said that it had two themes—to continue the drive against inflation and to help create the conditions for more jobs. The year had seen steady growth and low inflation, in spite of the coal strike. Commitment to the Medium-Term Financial Strategy, launched five years ago, remained firm. This strategy had succeeded in both curbing inflation and ensuring growth of demand in money terms. The Chancellor said:

In last year's Budget Statement I charted the course for this parliament.

Today I reaffirm the Government's determination to hold to that course, the purpose of which is nothing less than the defeat of inflation. We have not wavered from that purpose, nor will we.

But the defeat of inflation, essential though it is, is not enough. We must also do what we can to combat the scourge of unemployment. Nor is there any conflict between these two objectives.

So my Budget today has two themes: to continue the drive against inflation and to help create the conditions for more jobs.

I shall begin by reviewing the economic background to the Budget. I shall then deal with the Medium-Term Financial Strategy, with monetary policy, and with the fiscal prospect, both this year and next. I shall then turn to the Government's strategy for jobs and the measures to implement that strategy. These will involve action on a number of fronts, including both tax reduction and tax reform.

As usual, a number of press releases filling out the details of my tax proposals will be available from the Vote Office as soon as I have sat down.

I start with the economic background.

Once again we can look back on a year of steady growth and low inflation. During 1984 as a whole, inflation remained at around 5 per cent. Output grew by a further 2½ per cent, with investment up by 6½ per cent and non-oil exports by 9 per cent, to reach all-time record levels in each case.

Manufacturing industry recovered particularly strongly, with output up by 3½ per cent—the biggest rise in any single year since 1973—exports up by 10 per cent and investment by 13 per cent. The current account of the balance of payments was once again in surplus, for the fifth successive year. By international standards, too, the economy has performed well. Our growth was above, and our inflation below, the European Community average.

Moreover, this progress has been achieved in the teeth of the coal strike, for which, in the short term, the nation has had to pay a heavy price. In the current financial year the coal strike has reduced the level of national output by over 1¼ per cent and worsened the balance of payments by some £4bn. It has increased public expenditure by £2½bn and public sector borrowing by £2¼bn. It has cost us confidence abroad and jobs at home.

But the costs, both economic and constitutional, of submitting to this strike would have been infinitely greater than the costs that have been incurred in successfully resisting it.

And it is a remarkable tribute to the underlying strength of the British economy that it has been able to withstand so long and damaging a strike in such good shape.

Looking ahead, we are now about to embark on what will be the fifth successive year of steady growth, with output in 1985 as a whole set to rise by a further 3½ per cent. Inflation may edge up for a time, perhaps to 6 per cent by the middle of the year, but should then fall back to 5 per cent by the end of the year and lower still in 1986.

While there can be no disputing the strength and durability of the economic upswing, there is equally no disputing the fact that it is marred by an unacceptably high level of unemployment. And this in spite of the fact that the latest figures suggest that employment has risen by half a million over the last two years, with a further increase likely over the year ahead.

Cost of surge in dollar

If at home the past year has been overshadowed by the coal strike, internationally it has been dominated by the relentless surge of the dollar, which rose by a further 30 per cent against all the major European currencies. To finance its massive budget deficit the United States is importing a large part of the rest of the world's savings and exporting some of its own inflation.

This is not a sustainable state of affairs. As Federal Reserve Chairman Paul Volcker last month testified to Congress, the United States is living on borrowed money and borrowed time. But meanwhile it is not only America that is paying the interest.

All this has led to one of the most turbulent years in the financial markets within living memory. It has been, and will continue to be, a time for strong nerves and sound policies.

We have already shown that we are not afraid to take action, however unpalatable, to keep the medium-term financial strategy on course in an unpredictable and uncertain world.

That strategy was first launched five years ago next week. Our commitment to it remains as firm today as it was then. It was designed to bring down the rate of inflation and to ensure a reasonable growth of demand in money terms. And it has succeeded on both counts.

We are determined to maintain steady downward pressure on inflation. It is not in the gift of any government to eliminate short-term fluctuations along the way, but the underlying direction has to be downwards. It is this objective which governs the desirable growth of total spending power in the economy as measured by money GDP.

The Government's economic strategy has two key components: a monetary policy designed to bring down inflation and a supply side policy designed to improve the competitive performance of the economy.

The supply side policy is rooted in a profound conviction, born of practical experience both at home and overseas, that the way to improve economic performance and create more jobs is to encourage enterprise, efficiency and flexibility; to promote competition, deregulation and free markets; to press ahead with privatisation and to improve incentives.

The argument over which will have a bigger impact on demand, increased public expenditure or lower taxation, completely misses the point. The case for lower taxation rests on supply side policy; lower taxes will help to enhance incentives, eliminate distortions, improve the use of resources and heighten the spirit of enterprise.

The great mistake of postwar demand management, which still has some devotees today, was to react to rising unemployment by injecting more money into the system, whether through the Budget or through the banks. So far from halting the upward trend of unemployment, this simply generated runaway inflation.

That course we will not follow.

A policy for demand expressed unambiguously in terms of money provides a further important advantage, for it ensures that wage restraint will provide more jobs. I repeat today the undertaking I gave the National Economic Development Council last month: the Medium-Term Financial Strategy is as firm a guarantee against inadequate money demand as it is against excessive money demand.

Within the MTFS, the central role is played by monetary policy, for it is by controlling the growth of money in the economy that the Government is able to influence the growth of money demand.

Money targets unchanged

Last year I set target ranges of 4-8 per cent for narrow money and 6-10 per cent for broad money. Over the 12 months to mid-February, the targeted measure of narrow money grew at around the middle of its range, and that of broad money at just below the top of its range.

For next year I shall be retaining the same two target aggregates. I attach equal importance to both. The target ranges for 1985-86 will be those indicated in last year's MTFS—that is to say, a reduction in monetary growth of 1 per cent in each case.

There are those who argue that if we stick to sound internal policies the exchange rate can be left to take care of itself. In the long run that may well be true. But significant movements in the exchange rate, whatever their cause, can have a short-term impact on the general price level and on inflationary expectations. This process can acquire a momentum of its own, making sound internal policies harder to implement. So benign neglect is not an option.

That is why I have repeatedly argued that it is necessary to take the exchange rate into account in judging monetary conditions. There is no mechanical formula which enables us to balance the appropriate combination of the exchange rate and domestic monetary growth needed to keep financial policy on track. But a balance still has to be struck, and struck in a way that takes no chances with inflation.

For there can be no doubt about the Government's commitment to maintain monetary conditions that will continue to bring down inflation. Short-term interest rates will be held at the level needed to achieve this.

While monetary policy is at the heart of the Medium-Term Financial Strategy, it needs to be buttressed by an appropriate fiscal policy.

The outturn for the Public Sector Borrowing Requirement for 1983-84 was £9¾bn or 3¼ per cent of GDP. In my Budget last year, I planned to reduce it substantially in 1984-85 to £7¼bn, or 2¼ per cent of GDP. In the event, this year's PSBR looks like turning out at £10½bn, or 3¼ per cent of GDP—the same as last year.

All but £¼bn of this substantial overrun is directly attributable to the cost of the coal strike. I believe it was right to meet the large but once-for-all cost of keeping the economy going throughout the coal strike by borrowing, thus in effect spreading the cost over a number of years. But it is now necessary to return to the path I outlined last year.

PSBR set at £7bn

That means that the PSBR for the coming year, 1985-86, will be set at £7bn, equivalent to 2 per cent of GDP. As this year, some £3bn will be financed through National Savings.

I have been urged by some to provide for a still lower borrowing requirement in order to impress the financial markets. Others have argued that the present high level of interest rates would justify a more relaxed fiscal stance.

There is nothing sacrosant about the precise mix of monetary and fiscal policies required to meet the objectives of the Medium-Term Financial Strategy. But this is not the year to make adjustments in either direction. The wisest course is to stick to our pre-announced path.

This means that, for the coming year, a substantial reduction in the PSBR must take precedence over our objectives for reducing the burden of tax.

Given the need to ensure that the Budget deficit is of a size that can and will be soundly financed, lower taxes can only be achieved by maintaining the firmest possible control of public expenditure.

Controlling public expenditure is one of the most difficult tasks facing any democratic government in the modern world. Public expenditure acquires its own momentum and creates its own vested interests. To control it requires constant vigilance, and a determination to succeed despite the inevitable setbacks. We have that determination, and have succeeded in bringing the growth of public spending below that of the economy as a whole. This achievement has required difficult decisions in successive public expenditure reviews.

But there is no benefit to sound economic management or effective control from sticking to public expenditure figures which subsequent events have made unattainable.

'Significant movements in exchange rate can have a short-term impact on the general price level and on inflationary expectations. This can acuire a momentum of its own and make internal policies harder to implement'

Cost of the coal strike

As my Rt Hon and learned Friend the Chief Secretary made plain in the recent debate on the Public Expenditure White Paper, the normal pre-Budget review of the fiscal prospect has had to take account of changes in the economic scene since the Public Expenditure Review in the autumn. Of these, the most important has been the coal strike, whose public expenditure cost in 1984-85 is estimated at some £2½bn—about £1bn more than allowed for in both the Autumn Statement and the Public Expenditure White Paper, which explicitly assumed that the strike would end at Christmas. There will also be some further cost in 1985-86.

It now looks as if this year's public expenditure planning total will be exceeded by nearly £3½bn of which over two thirds is attributable to the coal strike. But quite apart from the coal strike, the upward pressures on public spending remain intense, not least from increased take-up of social security benefits and further local authority overspending. In addition, since the White Paper was prepared, we have had to accommodate the effects of higher interest rates and a lower exchange rate.

I have therefore reassessed the adequacy of the Reserves for 1985-86, 1986-87 and 1987-88 provided in the January White Paper. In order to provide a more realistic basis on which to plan and control the level of public spending, I have judged it prudent to add £2bn to the Reserve and thus to the White Paper planning totals for each of the three years. At the same time, I have further increased the estimate for debt interest in each year.

These increases in the size of the reserve will raise the planning totals for the next three years by about 1½ per cent. But let there be no misunderstanding. The new totals still represent a tough target. No extra cash has been allocated to individual programmes. Calls on the reserve will still be judged on the strictest criteria. There is no slackening in our determination to curb the size of the public sector.

Public expenditure will continue to fall as a proportion of GDP, as it has, the coal strike apart, since 1981-82. Expenditure is planned to stay broadly flat in real terms at about this year's level, excluding the costs of the coal strike. To achieve even these new figures, future public expenditure surveys will have to be at least as tough as their predecessors; and there can be no let-up in the tight control of individual spending programmes within the cash limits set for the coming year.

On the other side of the public accounts, tax receipts, too, are now expected to be higher over the next three years, partly for related reasons. But not by as much. The scope I have for tax cuts this year is therefore only half the amount I indicated might be available in my Statement to the House in November. In other words, the net effect after indexation of the measures I shall shortly announce will be to contribute some £½bn to the £7bn borrowing requirement I have set for 1985-86.

Jobs are the priority

In determining the nature of those measures, within the overall framework of the Medium-Term Financial Strategy, my overriding objective has been to improve the prospect for jobs.

It is important to be clear what this means. Jobs are created by firms that are competitive, efficient, profitable and well-managed. This in turn requires a workforce with the right skills, one that is adaptable, reliable, motivated and prepared to work at wages that employers can afford to pay.

The extent to which government—let alone a single Budget—can bring this about is clearly limited. We cannot instantly inculcate the spirit of enterprise by Act of Parliament, or abolish latter-day luddism overnight simply by adding a few more pages to the statute book.

We cannot even prevent trade unions from pricing their members out of jobs. Last year, despite a further encouraging growth in productivity, wage costs per unit of manufacturing output rose by some 4 per cent. In the United States, Germany and Japan, unit wage costs actually fell. This is bad for our competitiveness and bad for jobs. To much of the benefit of economic growth is currently being enjoyed in higher living standards for those in work: too little in the form of better job prospects for those out of work. In a free society, the remedy lies in the hands of those responsible for collective bargaining throughout the economy.

But limited though the role of government is, it remains an important one. To prepare the ground in which enterprise can best flourish. To remove obstacles to the effective working of markets in general and the labour market in particular. To correct the deficiencies in our education and training that make it hard for industry—and individuals—to adapt to change. To construct a pattern of taxation that does least damage to incentives; and in particular does least to deter people from taking jobs at wages that businesses can afford.

We have made progress on all these fronts. Inevitably, it takes time for the effects to come through. That is not surprising: attitudes and behaviour acquired over decades cannot be changed overnight. And there is much still to be done.

But there is no short cut. If it were possible to create jobs simply by boosting government borrowing and government spending there would be no unemployment in the world today, for nothing is easier for a government than to borrow and spend. Impatience is a bad counsellor.

In setting financial policy for the year ahead I have had one object in mind: the continuing reduction of inflation.

Equally, in deciding my individual Budget proposals within that overall framework, I have sought throughout to make those changes that will do most to promote enterprise and employment.

Hugh Routledge

Mr Nigel Lawson, the Chancellor, and his wife Therese, leaving No 11 Downing Street, to go to the House of Commons

Our attack on the evil of unemployment is clear, coherent and strong. My Budget today represents a further step along the road we have been taking since 1979. It will help us to ensure that more new jobs are created and that they will be jobs that last.

I begin with some measures directly related to employment and training.

One of the most long-standing problems in this country is our failure to prepare our school-leavers adequately for work. Since it was first launched in 1983, the Youth Training Scheme has proved to be a very successful bridge between school and work. It has also helped to make young people's pay expectations more realistic. But too many trainees are still reluctant to accept rates of pay which reflect their inexperience. And too many employers still fail to recognise that training is an investment in their own commercial interest. This is in marked contrast to our major competitors overseas.

Expansion of YTS

The Government has therefore decided to promote a substantial expansion of the Youth Training Scheme. Provided employers contribute a major share of the cost, the Government is prepared to provide further funds to launch this new initiative, over and above the existing £800m a year of public expenditure on the YTS. The expanded scheme would offer places lasting two years for 16-year-old and one year for 17-year-old school-leavers, leading to a recognised qualification.

The main aim of all this is a better qualified workforce. It would also be a major step towards our objective on ensuring that every youngster under the age of 18 will either be in full-time education, in a job, or receiving training with unemployment no longer an option. But first we have to get the expanded scheme in place. It will require the active co-operation of employers, trade unions and school leavers, which I am confident will be forthcoming.

The existing YTS provides foundation training and preparation for work. The expanded scheme will also involve occupational training for both the employed and the unemployed, geared to the needs of business and industry. In the long run, we expect employers to meet the full cost, as those in other countries do. But I recognise that such a major change in attitudes may take time. I am therefore prepared to set aside a fixed sum in public funds to launch this new initiative and get it moving in the right direction.

My Rt Hon Friend the Secretary of State for Employment will be arranging consultations through the Manpower Services Commission about the quality of the training, the share of the cost to be borne by employers, and the level of trainee allowances. We aim to complete these consultations by the end of June so that a second year will be available for as many as possible of the 16-year-olds leaving school this year.

Provided the outcome is satisfactory, I have undertaken to increase the Department of Employment's programme by £125m in 1986-87 and £300m in 1987-88. This expenditure will be partly offset by savings in social security payments and the ending of the Young Workers Scheme which will close for applications at the end of March 1986.

I am also providing the MSC with an additional £20m in 1986-87 to finance a programme of appropriate in-service teacher training courses.

It has become increasingly evident that our output of graduates in high-technology disciplines is not keeping pace with the expanding needs of industry. My Rt Hon Friend the Secretary of State for Education and Science will therefore be announcing later today a special programme, costing around £40m over the next three years, to provide additional places in engineering and technology at selected higher education institutions. In this case the cost will be met from within existing public expenditure programmes.

While school-leavers are catered for by the Youth Training Scheme, there remains the problem of the long-term unemployed genuinely seeking work. Under the Community Programme, local authorities and voluntary bodies provide temporary work for the long-term unemployed on projects of community benefit. This scheme, which at present provides 130,000 places, has proved its worth, with a significant proportion of those who leave it going on to other jobs.

I have therefore agreed to make funds available to provide an additional 100,000 Community Programme places by June 1986. These places will be for 18 to 24-year-olds who have been unemployed for six months or more, and other adults who have been unemployed for over a year. To accommodate this, the Department of Employment's programme will be further increased by £140m in 1985-86 and £460m in 1986-87.

To an even greater extent than with the Youth Training Scheme, the net public expenditure cost will be substantially less than the gross cost because of savings on social security benefits. The net addition to public expenditure as a result of all the proposals I have just announced will be £75m in 1985-86, £300m in 1986-87, and £400m in 1987-88.

Dismissal limit extended

We also need to do more to remove legislative impediments to the effective working of the labour market. However well intentioned, these can only lead to fewer jobs. Accordingly, my Rt Hon Friend the Secretary of State for Employment will be extending to all employers the provisions on unfair dismissal which currently apply to small firms. The qualifying period for unfair dismissal claims will thus become two years for all new employees. This is a reasonable period of time and should lessen the reluctance of some employers to take on new people.

In addition, my Rt Hon Friend will be issuing a consultative document about the future of the wages councils later this week. Wages councils destroy jobs by making it illegal for employers to offer work at wages they can afford and the unemployed are prepared to accept. This applies in particular to small employers and to youngsters looking for their first job. The document will cover a number of proposals for radical change, including complete abolition.

My Rt Hon Friends the Secretaries of State for Employment and for Education and Science will be issuing Press notices later today giving further details of these measures.

I now turn to taxation.

This Budget carries forward the theme of tax reform I set out last year—reform designed to make life a little simpler for the taxpayer. And above all reform designed to improve our economic performance over the longer term, on which the jobs of the future will depend.

In my Budget last year I announced a radical reform of the Corporation Tax system. This had been preceded by the Green Paper on Corporation Tax issued by my predecessor in 1982.

I am satisfied that the right way to proceed with major tax reform is to issue a Green Paper first, as a basis for full and informed discussion, followed by legislation when the results of that discussion have been fully digested.

I therefore propose to issue a Green Paper later this year on the reform of personal income tax.

The computerisation of PAYE makes this the right time to review the system of personal taxation. Most of the work will be complete by the end of 1987 and the full range of facilities will be available by 1989. The Green Paper will therefore discuss a range of options opened up by computerisation, from non-cumulation to closer integation between the tax and benefit systems, and including in particular a reform of the present system of personal allowances.

'The present structure of personal income tax is far from satisfactory. There is a strong case for changing to a system of allowances more suited to today's economic and social needs'

Reducing tax burden

It is the Government's firm policy to reduce the burden of income tax. But we need to make sure that the reliefs we can afford are concentrated where they will do most good.

The present structure of personal income tax is far from satisfactory. Too many young people start paying tax at too low a level and too many families find themselves in the poverty and unemployment traps. The system discriminates against the family in which the wife stays at home to look after the children. It denies to the partners in a marriage the independence and privacy in their tax affairs which they have a right to expect.

There is therefore a strong case for changing to a new system of personal allowances more suited to today's economic and social needs. Under this, everyone, man or woman, married or single, would have the same standard allowance. But if either a wife or a husband were unable to make full use of their allowance, the unused portion could be transferred, if they so wished, to their partner.

This reform would produce a more logical and straightforward system. Far more people could be taken out of the poverty and unemployment traps, and indeed taken out of tax altogether, for a given sum of overall tax relief than is possible under the present system. It would end the present discrimination aganist the family where the wife feels it right to stay at home, which increasingly nowadays means discrimination against the family with young children.

Husbands and wives would each be taxed separately on their own income, irrespective of the income of the other. The aggregation for tax purposes of a wife's earned income and investment income with her husband's would end, thus removing what has become an increasing source of resentment among women.

Taxation of pension funds

The Green Paper will set out full details of the proposals I have just outlined, as a basis for public discussion. After an appropriate period for consultation, it would be possible to legislate in 1987 and have a system on these lines in place by the end of the decade.

There is also a case for changing the tax treatment of pension funds, as part of a thorough-going reform of the tax treatment of personal savings generally. Any fundamental reform of this kind would, in the same way, need to be preceded by the publication of a Green Paper.

The House will, I am sure, be interested to learn that I have no such Green Paper in mind.

Nor, indeed, despite the unparallelled pre-Budget agitation, do any of the detailed proposals in my Budget affect the tax-deductibility of pension fund contribution, the tax-free nature of pension fund income and capital gains, or the anomalous but much-loved tax-free lump sum.

Meanwhile, I have a number of other important proposals for tax reform to announce today, which will both simplify the system and encourage enterprise.

First, Capital Gains Tax. Last year I was unable to do anything about the acknowledged defects of this tax, notably its combination of unfairness and complexity, and undertook to come back to it this year.

This I now do.

I have decided that the right way to reform Capital Gains Tax is to build on the important change made by my predecessor three years ago, when he introduced the 1982 indexation relief.

That relief, valuable though it is, and increasingly valuable as it will become, suffers from three serious limitations.

First, indexation does not cover the first 12 months of the ownership of an asset. This provision was introduced to discourage the short term conversion of income into capital. But it has made the tax very much more complicated for the taxpayer. I am now in a position to remedy this defect. Hon Members will recall that I announced last month measures to put an end to the practice known as bondwashing, the principal device for converting income into less heavily taxed capital gains. Having done that, I propose to abolish the 12 month rule. So far as most disposals are concerned, this will take effect from April 6. In the case of certain fixed interest securities, however, the rule will need to remain in being until the anti-bondwashing provisions take effect on February 28 1986.

Second, the indexation does not at present extend to losses. I propose to remove this restriction.

Third, the present indexation provision unfairly discriminates against those who acquired their assets prior to 1982. For them the allowance is based not on the 1982 value of the asset but on its original cost. I now propose to remedy this injustice. The indexation allowance will henceforth be based on March 1982 values. Capital gains made prior to 1982 will still not be indexed.

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THE BUDGET: The Chancellor's Speech

'Time to simplify and modernise ancient stamp duties'

Continued from previous page

of course, but at least all purely inflationary gains made since that date will now be free of tax, irrespective of when the asset was acquired.

This three-pronged reform of Capital Gains Tax will produce a fairer tax, make life simpler for the taxpayer, help the efficient working of the capital markets, relieve the burden on family businesses and encourage risk-taking and enterprise. Combined with the statutory indexation of the exempt amount, which will rise in 1985-86 to £5,900, these changes will remove some 15,000 taxpayers from liability altogether.

Increasingly the tax will be levied on real and not inflationary gains. With these reforms, I believe the tax is now on a broadly acceptable and sustainable basis.

The combined cost of the threefold reform I have announced is £155m in a full year, but none of it falls in 1985-86.

I turn next to the stamp duties.

Following widespread consultation, I have decided that the time has come to simplify and modernise these ancient duties. I propose in this Budget to sweep away 15 separate duties, including the contract note duty and the 1 per cent duty on gifts. Altogether, the changes I am proposing should reduce by over 40 per cent the number of documents which require to be stamped.

My final proposal for reform concerns Development Land Tax.

This is a particularly complex tax, which was introduced in response to the problem of soaring land values at a time of high inflation. Its chief practical effect is to discourage the bringing forward of land for development. This disincentive effect will grow as the gap widens between the 60 per cent rate of Development Land Tax and a Corporation Tax rate which is on the way down to 35 per cent.

Unwanted tax swept away

I have therefore decided to abolish Development Land Tax altogether, with immediate effect. At the same time I propose to cancel all deferred charges under the tax. The net cost will be some £20m in 1985-1986 and £50m in a full year. This compares, incidentally, with a collection cost of some £5m a year. Development gains will of course continue to be subject to income tax, Corporation Tax and Capital Gains Tax, in the same way as any other income or capital gains.

The abolition of development land tax will, I am sure, be especially welcomed by the building and construction industry. It will also remove no fewer than 200 pages of highly complex legislation from the statute book.

This follows the abolition of the National Insurance Surcharge and the Investment Income Surcharge in last year's Budget. Three unwanted taxes swept away in two years.

I now turn to other aspects of business taxation. It cannot be repeated too often that it is businesses and not Governments that create jobs. The Government's responsibility is to foster the conditions which will encourage businesses to grow and create more jobs. The measures I have to announce are designed with that end in view.

Scientific research

First, corporation tax. The reforms I announced last year set out a new and improved framework of business taxation for the remainder of this parliament and beyond. So this year, I have only limited changes to make. A full list is of course contained in the Red Book.

As I promised last year, I have reviewed the Scientific Research Allowance. Given the particular importance of expenditure on research and development if British industry is to hold its own in a competitive world, I have decided, exceptionally, not to reduce this allowance in line with the changes in the other capital allowances. A few minor changes apart, the Scientific Research Allowance will remain at 100 per cent.

I have also decided to modify the new capital allowance system as it applies to short life assets. While the new structure of capital allowances enables most plant and machinery to be written off over a period that more than fairly reflects its useful life, I accept that there is a problem with those assets which enjoy only a short life, in particular high technology assets.

Accordingly, from next year, a business will be able to exclude from its general pool of capital expenditure any assets which it believes will have only a short life; so that if the asset is subsequently scrapped after, say, four years, it will be fully written off for tax over that period. I believe that this change will be widely welcomed. The benefit to business could rise to about £300m in the early 1990s.

I now turn to a number of other detailed measures affecting business.

The number of employee share schemes has increased from 30 when we first took office in 1979 to some 850 today. The wholehearted commitment of employees to the success of the companies in which they work is vital to our country's economic future. To maintain and build on this progress, I propose to reduce the retention period for profit sharing schemes from seven years to five.

I propose to take action to deal with tax avoidance by partnerships, following the consultative document issued last year.

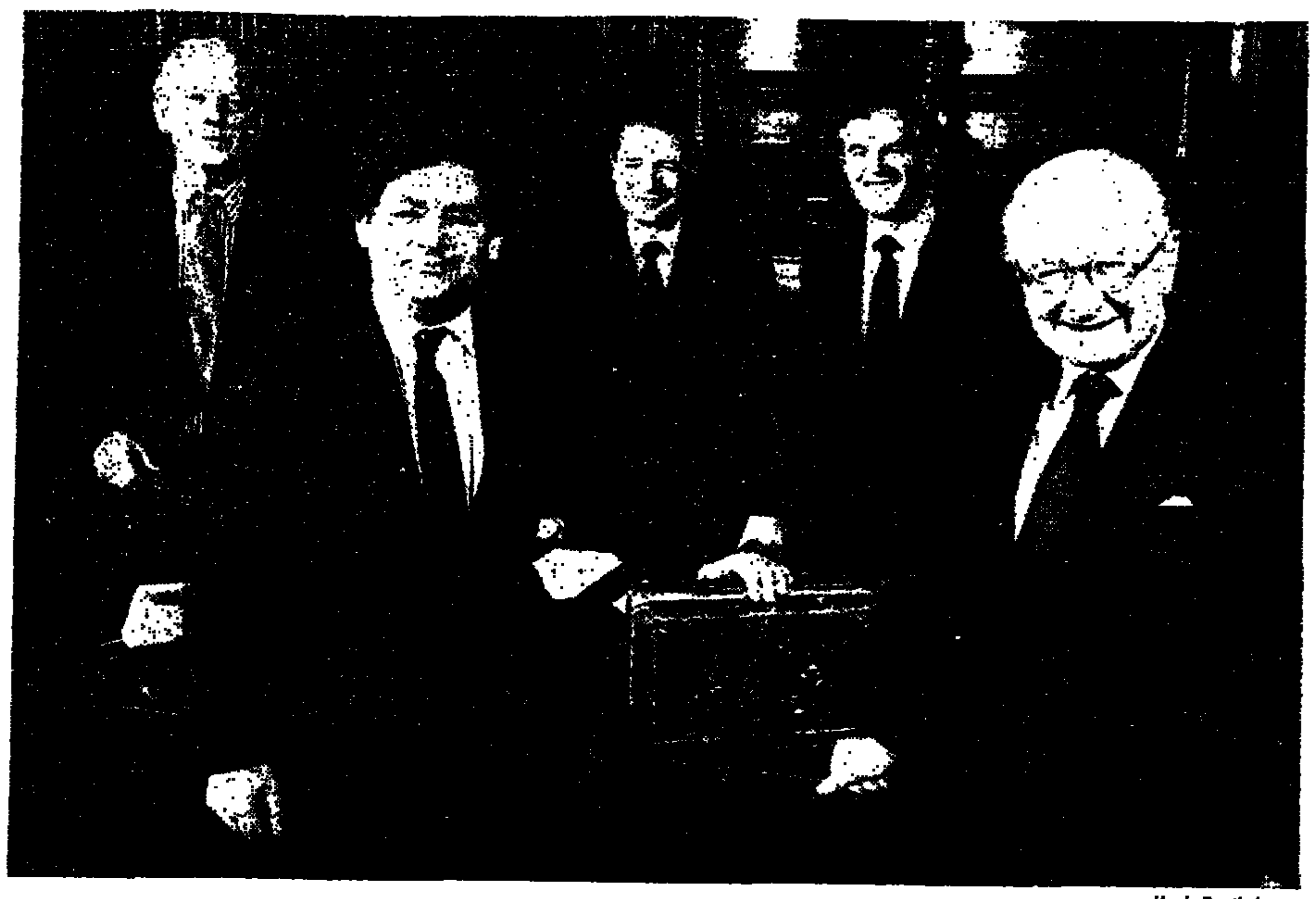
In my last Budget I removed a competitive disadvantage to British manufacturers by levying VAT on imports. I have decided to modify the new regime in two respects.

First, I propose to relieve from VAT certain goods which are imported into this country solely for repair, or for processing which does not change their identity, and are then re-exported to their owners overseas. Second, goods which are temporarily exported from the UK and then reimported after repair or processing abroad, will bear VAT only on the value of the repair or processing. These reliefs will take effect on June 1 and have a once-for-all cost in 1985-86 of £30m.

Simpler and more efficient

I propose to introduce secondary legislation to remove the constraint imposed by the Banking Act which at present prevents companies from financing themselves by a series of issues of short-term securities. This should provide a useful alternative to bank borrowing.

I have no major new proposals this year on the taxation of North Sea oil. I have reviewed the economics of incremental investment in existin gfields, but I have not been persuaded that there is a case for introducing new fiscal reliefs at this stage. My only proposal for change, apart from some minor technical measures, is to remove immediate Petroleum Revenue Tax relief for onshore exploration and appraisal expenditure. Onshore activities are sufficiently low-cost not to need this special incentive.



Hugh Routledge

The Chancellor flanked by his Treasury team: Mr Barney Hayhoe (left), Minister of State; Mr Ian Stewart, Economic Secretary; Mr John Moore, Financial Secretary to the Treasury, and Mr Peter Rees, Chief Secretary

Concern over U.S. taxation

In last year's Budget statement I mentioned the Government's concern at the spread of unitary taxation within the United States, and the threat that this posed to the U.S. subsidiaries of British companies. Since then, I am glad to note that several American States have abolished unitary taxation, but in others, notably California, no change has yet been made. We shall continue to press for action to be taken this year, and fully support the campaign being waged by the CBI and others on this issue.

'Abolition of Development Land Tax will be welcomed by the building and construction industry. It will also remove 200 pages of complex legislation from the Statute Book'

Finally, I turn to a group of measures of particular importance to smaller businesses and the self-employed, a sector of the economy where an increasing proportion of the jobs of the future is likely to be found.

I have already announced a substantial reform of the Capital Gains Tax. In addition, I propose to implement many of the proposals contained in last year's consultative document on Capital Gains Tax retirement relief, notably to reduce the age of full relief to 60 and to extend relief to those who are obliged by ill-health to retire before that age. This relief is particularly important to the proprietors of small businesses concerned at the Capital Gains Tax they might have to pay when they come to sell their business on retirement.

Although the Business Expansion Scheme has been in existence only two years, it has already made an impresive contribution to the promotion and growth of new businesses. Last year almost 20,000 people took advantage of the tax reliefs offered by the Business Expansion Scheme to invest some £100m in more than 500 companies. Over half of this went to provide equity capital for new businesses.

I have two changes to propose. The scheme was designed to encourage investment by individuals in new and expanding businesses in risk areas. Accordingly, I propose to include within the scheme companies formed to carry out research and development. By the same token I propose to exclude from the scheme certain ventures which primarily involve property development. Building and construction will, of course, continue to be a qualifying trade.

Last year I undertook to review the scope of VAT relief for bad debts, a matter of considerable concern to small businesses. In the light of legislation now proceeding in another place on the reform of the insolvency law, I propose to widen the scope of the existing relief. The new rules will take effect as soon as the provisions of the Insolvency Bill are implemented and will cost some £25m in a full year.

I propose to increase the VAT threshold to £19,500 from midnight tonight.

Reliefs for self-employed

Over the past five years the ranks of the self-employed have risen by well over half a million or some 30 per cent and the growth in self-employment has been a particularly marked feature of the encouraging growth in overall employment that has occurred since the spring of 1983.

But the self-employed suffer from one long-standing grievance so far as tax is concerned. While the National Insurance contribution paid by an employee cannot be set against tax, the National Insurance contribution paid by the employer on the employee's behalf can. Yet none of the National Insurance contribution paid by the self-employed can be set against tax at all.

Today, I propose to remedy this grievance. As from April 6, tax relief will be allowed for half the graduated Class 4 National Insurance contribution paid by the self-employed. In addition, I have agreed with my Right Hon. Friend the Secretary of State for Social Services that, as from the beginning of October, the flat rate Class 2 National Insurance contribution payable by the self-employed will be reduced from £4.75 to £3.50 a week. The benefit of these reliefs to the self-employed will be £55m in 1985-86 and £155m in a full year.

All this adds up to a substantial package of measures to help small business and the self-employed, which I am sure the whole House will welcome.

I turn now to the taxation of personal income and spending. My Budget last year shifted some of the burden of personal taxation from earnings to spending. Today I propose to make a further move in this direction.

Accordingly, I propose to increase the revenue from the excise duties by rather more than is required simply to keep pace with inflation—a less painful task now that inflation is relatively low.

I propose to increase the duty on cigarettes and hand-rolling tobacco by the equivalent, including VAT, of sixpence on a packet of 20 cigarettes. This will take effect from midnight on Thursday. I do not, however, propose any increase at all in the duties on cigars and pipe tobacco.

I propose increases which, including VAT, will put between a penny and twopence a pint on most beer (depending on its strength); a penny a pint on cider, six pence on a bottle of table wine and about 10 pence a bottle on sparkling or fortified wine. In recognition of the current difficulties of the Scotch whisky industry, however, I propose to increase the duty on spirits by only 10 pence a bottle, well below the amount needed to keep pace with inflation. All these changes take effect from midnight tonight.

I propose to increase the duty on petrol and derv by amounts which, including VAT, will raise the price at the pumps by approximately four pence and 3¼ pence a gallon respectively. This does no more than keep pace with inflation. These increases will take effect from 6 o'clock this evening. As last year, I do not propose any change in the duty on heavy fuel oil.

I do propose this year, however, to raise more revenue from the Vehicle Excise Duty. For cars and light vans the duty will go up by £10 to £100.

On the advice of my Rt Hon Friend the Secretary of State for Transport, the pattern of duty on lorries will be changed to correspond more closely to the amount of wear and tear they cause to the roads. While there will be substantial increases in duty for some of the heaviest rigid lorries, for most lorries the rates will remain unchanged.

Speculation about VAT

These changes in the excise duties will, all told, raise an extra £830m in 1985-86, some £235m more than is required to keep pace with inflation. The overall impact effect on the RPI of these changes will be one half of 1 per cent. This has already been taken into account in the forecast I have given the House of 5 per cent inflation by the end of the year.

'Most of the speculation over VAT—such as the so-called proposal to levy VAT on books—has concerned matters which have not been under consideration'

I now turn to VAT.

I have followed with interest the speculation that has built up over recent months about my alleged intentions for VAT. Most of it — such as the so-called proposal to levy VAT on books — has concerned matters which have not even been under consideration. But to have revealed this prematurely would not have stilled speculation; it would merely have concentrated it on those matters that were under consideration — a practice that no chancellor, rightly, has sought to encourage.

I can now inform the House that, apart from one change I shall be proposing today, I do not intend to make any further extensions of the VAT base during the lifetime of this parliament. This is, of course, a field in which European Community law has to be reckoned with and where we are bound by our treaty obligations. But as the House will be aware, where we are currently under challenge, we are vigorously fighting our case.

The one extension I propose to make concerns newspapers and magazines. At present, while all other advertising is taxed, newspaper and magazine advertising is not. There is no justification for this anomaly. It is one thing to maintain that newspapers and magazines should not be liable to VAT; quite another to argue that those who advertise in them should enjoy a similar immunity. Accordingly, I propose that from May 1 newspaper and magazine advertising should be subject to VAT. This will raise £30m in 1985-86 and £50m in a full year.

I also propose to change the VAT treatment of credit cards and similar payment cards—a part of the financial sector which has enjoyed exceptional growth over the past few years. I propose that from May 1 transactions between the companies providing the cards and the outlets which accept them should be classified as exempt. This means that the companies will not be able to recover VAT in respect of such transactions. This will raise £15m in 1985-86 and £20m in a full year. It should not directly affect the charges made to card holders.

I also have a modest VAT concession to make. I have decided to extend the existing VAT relief for medical or scientific equipment bought with donated funds for use in hospitals and the like to cover computer equipment for certain medical uses. Customs and Excise will be announcing the precise details of the relief, which will take effect from May 1.

Following extensive consultations, I propose to include in this year's Finance Bill legislation to implement most of the recommendations of the first two volumes of the Keith Report on the Enforcement Powers of the Revenue Departments, including measures to deal with the problem of the late payment of VAT. This is expected to bring in extra revenue of about £50m in 1985-86. By 1988-89 there will have been a cumulative once-for-all revenue gain of about £600m. Proposals on the Inland Revenue aspects of the Keith Report will follow in next year's Finance Bill.

The VAT changes I have just proposed will bring in £90m in 1985-86, rising eventually to £215m in a full year. They will have no impact on the RPI. The additional revenue raised from the excise duties and VAT taken together will help me to lighten the burden of income tax.

Before turning to income tax, I should briefly mention Capital Transfer Tax. Since 1979 the burden of this tax has been very significantly reduced, and I propose to maintain that position this year by raising the threshold and rate bands set last year in line with statutory indexation. In addition, I propose to widen the scope of the existing exemption for amenity land surrounding a house of outstanding heritage quality. I am sure that this will be welcomed by all those concerned with the preservation of our national heritage.

I now turn to income tax. On April 6, the banks will move over to the composite rate system for the payment of tax on bank interest. I now need to legislate to put the corresponding composite rate payments by building societies on a similar footing, starting next year. This will not produce any additional revenue. As an administrative saving, I also propose to legislate this year to bring new loans above the mortgage interest relief ceiling into the MIRAS system by April 1987. The ceiling itself will remain at £30,000 for 1985-86.

I need to set the 1986-87 car benefit scales for those whose employers provide them with the use of a car. As last year, I propose to increase both the car and fuel scales by 10 per cent with effect from April 1986. This will still leave the scale levels well short of the true value of the benefit.

To give further help to charities, I propose to increase from £5,000 to £10,000 the limit to which relief at the higher rates of tax is allowed for covenants.

I now turn to my main income tax proposals.

I propose to make no change this year in the rates of income tax. Once again, I believe it is right to concentrate most of the limited resources at my disposal on raising the starting point for tax. Increases in the basic tax thresholds benefit all taxpayers, but they give proportionately more help to those on low incomes. This year, a Budget for jobs and for enterprise has to give high priority to raising the tax thresholds.

The statutory indexation formula means that I should increase all the principal income tax allowances and bands by 4.6 per cent, the increase in the RPI over the year to last December, rounded up. For the higher rate thresholds and bands I propose this year to do just that. The first higher rate of 40 per cent will be reached at a taxable income of £16,200 and the top rate of 60 per cent will apply to taxable income above £40,200.

For the basic thresholds I can do more. Statutory indexation would imply an increase in the single person's allowance of £100. I propose to increase it by precisely twice as much—£200—from £2,005 to £2,205.

Continued on next Page

Canavan launches a pre-emptive strike on Lawson

PARLIAMENTARY SKETCH

ANYONE OCCUPYING the thankless post of Chancellor of the Exchequer needs a pretty thick skin to put up with the criticism and grumbling which follows most Budgets.

But yesterday, Nigel Lawson, whose skin is as thick as any in the Cabinet, underwent the unusual experience of being savagely attacked before he had even opened his mouth.

As Labour leader Neil Kinnock and other members of the shadow Cabinet awaited the Chancellor's arrival, Labour left-winger Denis Canavan decided to make a premature strike of his own.

The rough-tongued Scot launched a Ten Minute Rule Bill aimed at making the Chancellor more accountable to parliament by making it monitor his performance. Judging by the vituperative tone of Mr Canavan's remarks, it would have been better described as the Chancellor of the Exchequer (Personal Abuse) Bill.

Mr Kinnock and company did not look too pleased at this bit of undisciplined guerrilla warfare. Certainly it would be a pity if it was allowed to detract from the Labour leader's own off-the-cuff response to the Budget, which was given immediately the Chancellor sat down.

Last year, Neil's reply to the Budget had been brief and highly disappointing to his supporters. On this occasion, however, he launched into a confident and scathing attack on the Chancellor's performance which brought him well-earned cheers from Labour backbenchers.

In last year's Budget, Mr Kinnock had been badly thrown by Tory heckling but this time he was standing no nonsense.

The Cabinet's bovver boy, Norman Tebbit, tried to repeat the same tactics with a ribald comment when Mr Kinnock started on the "nitty gritty" of his speech.

But the Labour Leader told him to shut up and silenced him effectively by observing that nobody is "nittier and grittier" than our abrasive trade and industry secretary.

Mr Canavan's contribution, in contrast, was sheer knockabout. The purpose of monitoring the Chancellor's performance soon became apparent. The economy, said the MP, had been reduced to an absolute shambles and unemployment was increasing, while Mr Lawson was getting "plumper and smugger."

As Mr Canavan came forward to present his Bill, he gave a mock toast to Mr Lawson with the glass of white wine and water which had been placed on the dispatch box for the Chancellor's use. All he got from Mr Lawson was a frosty glare.

That other well-known critic of the Government, former Tory Prime Minister Ted Heath, seemed to get great amusement out of all this. But one of the Conservatives' senior backbenchers, Sir Michael Shaw, found it all in bad taste and rose to oppose the measure.

This gave Dennis the opportunity to put it to a vote, and it was approved by a big majority of 99 (103-4) which was not surprising as the Tories ignored the whole thing and abstained en masse.

As usual the Chancellor was bouncing with confidence and, whatever the contents of the Budget, full marks for clever presentation.

He was soon able to put to rest some of the worst pre-Budget nightmares of his supporters. There had, he said, been much speculation about VAT but most of it had been completely wide of the mark.

In particular, there was to be no VAT imposed on books. Why, the Government had not even considered such a thing so the massive campaign mounted by the publishing trade had been unecessary.

Apparently, he had not bothered to put an end to these speculations as this would merely have encouraged journalists to turn their attention to matters that were being considered for the Budget.

Other sections of his speech were a bit trickier for his backbenchers to grasp. The "radical reform" of National Insurance payments by the introduction of graduated contributions would no doubt encourage employers to take on the lower paid but didn't it smack a little of socialist redistribution?

As he sat down, there was a loyal cheer from Tory backbenchers but it was not the rip-roaring success of last year's performance.

Mr Kinnock pointed out that the National Insurance proposals had met with greater applause on the Labour side of the House than from the Tories. This was not surprising, he observed, as the scheme had been included in Labour's manifesto.

There was some re-assurance for the Chancellor from David Knox, the first Conservative backbencher to speak. He had heard more exciting budgets but never a briefer one. Nevertheless, he quite approved of this. After all ,the party was getting tired of too much excitement.

Hugh Routledge

Mr Lawson, with his wife Therese and children, Emily and Tom, taking a stroll in St James's Park before facing the Commons

Reform of N I contributions

Continued from previous page

Statutory indexation would imply an increase in the married man's allowance of £150. Again, I propose to raise it by precisely twice as much—£300—from £3,155 to £3,455.

I propose to increase the age allowances this year by the same cash amount as the corresponding basic allowances. Thus the single age allowance will rise by £200 from £2,490 to £2,690 and the married age allowance will go up by £300 from £3,955 to £4,255.

Single people to benefit

These increases mean that most single people will enjoy an income tax cut of at least £1.15 a week and most married couples an income tax cut of at least £1.73 a week. Some 800,000 people on low incomes—100,000 of them widows—who would have paid tax if thresholds had not been increased, will pay no tax at all in 1985-86. That is almost twice as many as would have been taken out of tax had the allowances merely been indexed.

The income tax changes I have announced today will take effect under PAYE on the first pay day after May 17. Their cost is considerable: £1.6bn in 1985-86, of which roughly half represents the cost of indexation.

The increase in the basic allowances of almost 10 per cent or some 5 per cent in real terms, means that for 1985-86 they will be more than 20 per cent higher in real terms than they were in 1978-79, Labour's last year.

I have one last proposal to make.

I have already set out the broad lines of the Government's strategy to improve the prospects for jobs. I have described a number of measures to improve training, remove legislative barriers to employment, and stimulate enterprise; and I have also raised tax thresholds substantially for the second year running.

But I want to do more to improve job prospects for young people and the unskilled, among whom the problem of unemployment is most severe.

I have concluded that an effective response to this problem must include direct action in two related areas — to cut the costs of employing the young and unskilled and to sharpen their own incentive to work at wages which employers can afford to pay.

I am therefore proposing, in collaboration with my Rt Hon Friend the Secretary of State for Social Services, a radical reform of the structure of National Insurance contributions. The essential features of the contributory principle will be preserved.

The changes will affect both employers' and employees' contributions.

Given the limited resources at my disposal I cannot afford this year to make a further substantial reduction in the overall burden of employment costs, following the abolition of the National Insurance Surcharge in last year's Budget. I therefore propose to abolish the upper earnings limit for the employer's National Insurance contribution, which for 1985-86 has been set at £265 a week.

Under existing arrangements, an employer pays in National Insurance the same cash sum, which for the coming year would be roughly £28 a week, for employees above the upper earnings limit, regardless of whether the employee is paid £15,000 a year or £50,000. Under the new and arguably fairer scheme I am now proposing, the employer's liability will be the same flat 10.45 per cent of earnings as at present applies below the upper earnings limit.

The £800m raised by this change in a full year enables me to make a substantial reduction in the cost of employing people at the lower end of the earnings scale. There, instead of the uniform 10.45 per cent, I propose to introduce a system of graduated rates.

As now, there will be no National Insurance payable for those earning below the lower earnings limit, which for 1985-1986 has been set at £35.50 a week, broadly in line with the single person's pension. But for employees earning between this and £55 a week, the employer will in future have to pay only 5 per cent instead of 10.45 per cent; for employees earning between £55 a week and £90 a week the new rate for employers will be 7 per cent; and for those earning between £90 and £130 a week the employer will pay 9 per cent. The full employers' rate of 10.45 per cent will apply only for those earning over £130 a week.

These changes represent substantial reductions in the cost of employing the lower paid. They will significantly improve the flexibility of the labour market and the prospects for jobs. I recognise that employers cannot be expected to welcome the increased cost of employing higher paid workers, but for business and industry as a whole the increase in the cost of the highly paid will be fully offset—indeed more than offset—by the reduced cost of employing lower paid workers.

Moreover, I propose to introduce a similar system of graduated National Insurance contribution rates for the employees themselves at the lower end of the earnings scale. At present, those earning more than the lower earnings limit pay a flat rate of 9 per cent on total earnings up to the upper earnings limit, and nothing on any amount they may earn above that limit.

This system makes National Insurance contributions a particularly heavy burden for the low paid.

I propose that, in future, those earning between £35.50 and £55 a week pay at the rate of 5 per cent, and those earning between £55 and £90 a week 7 per cent. Only those who earn above £90 a week will be liable to the full 9 per cent on their earnings.

But I do not propose to abolish the upper earnings limit for employee contributions. It is an integral part of the contributory system on which their benefit entitlement is based. Moreover, if it were abolished, those on the higher rates of income tax would face unacceptably high combined marginal rates taking into account liability to both tax and National Insurance contributions.

The changes I have proposed represent a substantial reduction in the burden of National Insurance contributions on lower paid employees. In addition, as I have already indicated, I propose a corresponding reduction in the contributions paid by the self-employed. The flat rate Class 2 contributions will be reduced from £4.75 to £3.50 a week.

Benefit rights not affected

My Rt Hon Friend the Secretary of State for Social Services will include legislation to give effect to this restructuring of National Insurance contributions in the Social Security Bill now before Parliament and I expect the new rates to take effect from the beginning of October. I should make it clear that these changes are not intended to affect benefit rights, and new rules will be introduced to protect those rights. Nor will the changes affect arrangements for the contracted-out rebate.

The overall cost of these changes will be £450m in a full year, made up of £80m less in employers' contributions, £270m less in employees' contributions, and £100m less in contributions from the self-employed. In 1985-86 the total cost will be £150m.

The effect on job prospects will, over time, be substantial. The radical restructuring I have announced will encourage employers to take on the young and unskilled, and give them, in turn, an incentive to seek work at wages that employers can afford. The cost of employing some 8½m people on earnings of less than £130 a week will be reduced by almost £900m in a full year. It will cost an employer £3 a week less to employ a young person or unskilled worker at just below £90 a week.

And the take-home pay of some 3½m people with earnings up to this level will be further increased, on top of the significant real increases in income tax thresholds I have already announced. A single youngster on just under £90 a week will pay about £1.30 a week less in National Insurance on top of the reduction in his income tax bill of £1.15 a week—an overall increase in take-home pay of almost £3 a week.

The reduction in the total burden on the low paid—income tax plus employers' and employees' National Insurance contributions combined — is even more dramatic. For someone on £80 a week it is cut by up to 30 per cent and at £50 a week it is cut in half.

These are changes of a major order. They amount to a direct and powerful attack on disincentives to employment. They tackle the problem of unemployment where it is most acute. They complete my Budget for jobs.

In this Budget, Mr Deputy Speaker, I have reaffirmed the Government's commitment to the defeat of inflation through the maintenance of sound money. I have made further radical proposals for taxation and National Insurance, and abolished outright a third tax. In collaboration with my Rt Hon Friends the Secretaries of State for Employment, Education and Social Services, I have proposed a coherent and wide-ranging set of measures to promote new jobs. I commend this Budget to the House.

The Chancellor rose at 3.52 pm and sat down at 5.05 pm, having spoken for 1 hour and 13 minutes.

Welcome from CBI for stress on training

By Richard Evans

THE Confederation of British Industry warmly welcomed the Budget statement, particularly its emphasis on training and the creation of jobs.

"The Chancellor has got it right—interest rates should fall because he is keeping a grip on inflation and on borrowing," Sir Terence Beckett, director general of the CBI said. "This Budget ought to be good for growth and jobs—that is the acid test."

On jobs, 800,000 people would be lifted out of the income tax net and the tilt in National Insurance contributions should also help people to get work. That was good news for employment.

Also welcomed by the CBI was the fairer treatment for companies investing in short-term assets. "But many employers will be disappointed that nothing else was done to smooth the transition between the old and the new system of capital allowances for investment on jobs."

The Association of British Chambers of Commerce thought the Budget "a fair and competent package," but stressed it remained to be seen how far the National Insurance, employment and training elements would help push more people into jobs."

Although these aspects were welcome, the association doubted whether the package as a whole would have much effect on economic activity unless there were early cuts in interest rates.

"We are impressed by the skill with which the Chancellor has made the available money go round, but it is a relatively small amount," a spokesman added.

The Federation of Civil Engineering Contractors said it was disappointed that the Chancellor's "Budget for jobs" had failed to recognise the contribution which construction could make to real jobs.

"However, we welcome his commitment not to extend the VAT base on construction during the lifetime of this parliament and his assurance to vigorously oppose the EEC moves on VAT," said Mr Jack Bowen, deputy director general of the federation.

Kinnock condemns 'stalemate Budget of stagnant Chancellor'

BY IVOR OWEN

A NEW APPROACH to Britain's economic problems with the Government recognising its responsibility to sponsor a genuine recovery and reduce unemployment was demanded by Mr Neil Kinnock, when he opened Labour's attack on the Budget in the Commons last night.

He described Mr Nigel Lawson as a "stagnant Chancellor" and accused him of having introduced a "stalemate Budget."

Mr Kinnock ridiculed the Chancellor's claim that the Government's policy was on course and likened him to a man "travelling in circles and sinking all the time."

His appeal to the Chancellor's critics on the Conservative backbenches who, he believed, included people of conscience and courage "to join with us and stop him dragging our country down with him," was heard in disdainful silence.

Mr Kinnock paid tribute to the Chancellor's parliamentary skills and acknowledged that much hard work must have gone into his 73-minute speech, which had established a new record in Budget brevity.

To Labour cheers, he added: "The trouble is that it is highly unlikely that a lot of work will come out of it."

Mr Kinnock claimed that those who believed that there was a realistic alternative to the policy being pursued by the Government included the CBI, the road hauliers, the construction industry, the TUC, the National Economic Development Council, and a "great big clutch" of Conservative MPs.

He contended that the Chancellor should have at least provided £3.5bn for investment in housing, roads, the sewerage system, gas and electricity supply, and in training and research and development.

Backed by Labour cheers, Mr Kinnock maintained that, as the Chancellor had been prepared to find £2.5bn to fight the miners, he ought to have found at least a similar sum to fight unemployment.

He complained that the Government was prepared to borrow to maintain unemployment while refusing to do so to undertake new investment and employment.

At a time when the true number of those out of work was in the region of 4m and there was growing concern throughout the country, the need for action to fight unemployment was more necessary than ever before.

Mr Kinnock protested that the Chancellor's response had been to "turn his back" on the millions who were unemployed and poor, and waddle away from them.

He cited two new records established by the Government within a week—the £2 per item prescription charge and the £2 gallon of petrol introduced by the Chancellor—as indicators of how little protection would be gained by those receiving social security benefits from the annual uprating due to take place later in the year.

Mr Kinnock argued that Mr Lawson's responsibility for the difficulties facing so many people went back beyond his period of office as Chancellor because he had been a parent of the medium-term financial strategy.

Since that time, he said, the Government had "destroyed" one and a quarter million jobs, spent 10 per cent more money, printed 50 per cent more money and borrowed £20bn more than had been planned.

Mr Kinnock declared that the ruinous cost of maintaining unemployment at its present level was the greatest single factor "blocking off" the Chancellor's plans for ensuring durable growth, stability and confidence in Britain.

OTHER POLITICAL NEWS

Heseltine acts over Levene row

BY MARGARET VAN HATTEM, POLITICAL CORRESPONDENT

MR MICHAEL Heseltine, Defence Secretary, yesterday attempted to defuse the growing row over the appointment of Mr Peter Levene to run the Government's defence procurement programme.

Mr Heseltine has written to the Commons Select Committee on Defence setting out the reasons behind the appointment.

However, the committee, which is investigating the rules governing senior defence appointments, is considering Mr Heseltine and Mr Levene to appear in person to give further evidence.

This follows the Prime Minister's admission in a written reply on Monday that the appointment of Mr Levene, former head of United Scientific Holdings, one of Britain's fastest-growing defence companies, was in breach of the rules governing the appointment and that the terms of the appointment were changed to bring them into line with the rules.

Opposition MPs, undistracted by the Budget, continued to press for more information on the appointment.

Dr David Owen, leader of the Social Democratic Party, wrote to Mr Anthony Barraclough, the Ombudsman, expressing his "sense of outrage" over the appointment.

He demanded that the views of the Civil Service Commissioners on the appointment should be made known.

Dr Owen also wrote to Mr D. J. Trevelyan, who is reported to have threatened to resign over the appointment, asking whether he and his fellow Civil Service Commissioners had felt the Prime Minister and the Government were right "to override their views and opinions."

Dr Owen challenged them to say openly whether they had considered resigning on the issue.

Mr Gordon Brown, Labour MP for Dunfermline East, has asked the Prime Minister to confirm that Mr Levene, as well as receiving an annual salary of £95,000 will receive an annual £12,000 in pension contributions. He also wanted to know what compensation terms had been agreed if Mr Levene's contract were terminated before the expiry of its five year term.

In a statement, Mr Brown added: "Mr Levene should resign now, or he and the Defence Secretary should face a full select committee investigation into the propriety of his appointment."

Capital allowances

Changes aim to spur efficiency, enterprise and jobs

THE Inland Revenue issued the following statement on capital allowances after the Budget speech: The Chancellor of the Exchequer proposes in his Budget a number of changes to capital allowances.

Some of these changes are new, some were foreshadowed in last year's Budget and others were announced subsequently. They carry on the programme to reform business taxation which the Chancellor launched last year.

The programme aims to encourage enterprise, efficiency and employment through reductions in the rates of tax on company profits and re-phasing capital allowances. This will encourage investment which is truly worthwhile and productive so that industry as a whole can improve its profitability and expand. At the same time investment which is worthwhile only because of the tax incentives will be discouraged.

The Chancellor intends to continue to examine the scope for structuring, simplifying and streamlining the capital allowances legislation.

De-pooling. When first year allowances are phased out on March 31, 1986, machinery and plant will generally attract an annual writing down allowance of 25 per cent (reducing balance basis). This will allow 90 per cent of the cost of the machinery or plant to be written off for tax purposes over the eight years.

CAPITAL ALLOWANCES

Plant costing £100 is bought in June 1987 by a company whose accounting year is 31 December. A de-pooling election is made. The capital allowance calculation is as follows—

		£
Year ended December 31 1987	Cost	100
	—writing down allowance	25
Year ended December 31 1988	Cost	75
	—writing down allowance	19
Year ended December 31 1989	Cost	56
	writing down allowance	14
Year ended December 31 1990	Cost	42
	—writing down allowance	10
Year ended December 31 1991	Cost	32
	—writing down allowance	8
		£24

(i) An election is to be made by December 31 1989.
(ii) If the plant is sold in the year ended December 31 1990 for £10 a balancing allowance of £32 (42-10) will arise.
(iii) If the plant is sold instead for £50 a balancing charge of £8 (50-42) will arise.
(iv) If the plant is not sold by December 31 1991 the tax written down value of £24 is to be transferred to the general machinery or plant pool.

Writing off at this rate is an appropriate average for the machinery and plant of many businesses, but the working life of some assets, because of heavy use or rapid obsolescence, can be much shorter.

The Chancellor therefore proposes to introduce a new arrangement which will enable tax allowances to be brought into line with actual depreciation of machinery or plant when it is sold or scrapped within about five years of acquisition. At present this is not generally possible.

The new scheme will work broadly as follows. Where taxpayers expect to dispose of an item of machinery or plant, acquired on or after April 1, 1986, at less than its tax written down value within a period of five years beginning with the year of acquisition, they will be able to elect to have the capital allowances on that machinery or plant calculated separately from the main machinery or plant pool — "de-pooling."

The election to de-pool is to be made within two years of the year of acquisition.

The separate calculation will alow the balancing adjustment to be made on a disposal but if the machinery or plant has not been sold by the end of the five year period, its tax written down value will be transferred to the main machinery or plant pool and thereafter dealt with as if it had never been de-pooled.

De-pooling is primarily intended for assets from which first year allowances are being withdrawn following Finance Act 1984. It will not apply to machinery or plant which is generally dealt with outside the main pool of expenditure, such as cars and assets leased to non-traders; nor will it apply to ships, which are dealt with later in this statement. The accompanying table illustrates how de-pooling will work.

Scientific research allowance: The allowance is to continue at 100 per cent subject to some modifications which will apply on and after April 1, 1985. The cost of land and houses is to be excluded from the scope of the allowance and changes are to be made in the rules providing for a recovery of allowance where an asset on which scientific research allowance has been given is sold.

Secondhand ships: The free depreciation ararngements for new ships (see below) are to be extended to expenditure on secondhand vessels with effect from April 1, 1985.

Changes to secondary allowances announced last year to be included in this year's Finance Bill: The following changes will take effect from April 1986:

Agricultural Buildings: At present there is an initial allowance of 20 per cent and annual writing down allowances of 10 per cent. The initial allowance will be reduced to nil from April 1, 1986, and the writing down allowance reduced to 4 per cent.

Hotels: At present there is an initial allowance of 20 per cent and annual writing down allowances of 4 per cent. The initial allowance will be reduced to nil from April 1, 1986. The writing down allowance will remain at 4 per cent.

Dredging: The present rate is an initial allowance of 15 per cent and an annual allowance of 4 per cent (straight line basis). The initial allowance will be reduced to nil from April 1, 1986. The writing down allowance will remain at 4 per cent.

Patent Rights: The capital cost of purchasing patent rights is, broadly speaking, at present allowed by equal annual instalments over 17 years. This will be replaced in 1986 by an annual writing down allowance of 25 per cent (reducing balance basis).

Know-how: Writing down allowances for the cost of acquiring know-how are at present given over six years. These will be replaced in 1986 by an annual writing down allowance of 25 per cent (reducing balance basis).

The Finance Bill will contain measures to deal with the following further changes which have already been announced:

Timing of writing down allowances: Writing down allowances for machinery or plant will be available when expenditure is incurred, whether or not the equipment has been brought into use. This change will take effect in respect of chargeable periods ending on or after April 1, 1985 (Inland Revenue Press Notice July 18, 1984).

Ships: The present system of free depreciation is to be retained with appropriate modifications for writing down allowances in respect of new ships. This means that the allowances can be rolled-up and used at will. The new style free depreciation will be limited to the writing down allowances which have already become due at any particular time (Inland Revenue Press Notice, July 18, 1984).

Date expenditure incurred: The date on which capital expenditure is to be regarded as incurred for the purpose of entitlement to capital allowances is to be brought generally into line with accountancy practice (Inland Revenue Press Notice December 19, 1984).

Fixtures in buildings and on land: Rules are to be introduced to give an entitlement to capital allowances where machinery or plant is installed in a building or on land and becomes a fixture (Inland Revenue Press Notice, December 27, 1984).

It was announced last year that the review of **mines, oil wells and mineral rights** allowances would be conducted against the background of the Chancellor's proposed changes in the other capital allowances. The Government's proposals for these allowances will be published in a consultative document early in the summer with a view to legislation in the 1986 Finance Bill.

Conditions for bond issues to be eased

A TREASURY statement on short term capital bonds was published after the Budget speech.

Regulations will shortly be introduced under the Banking Act to allow companies quoted on the stock exchange (including the Unlisted Securities Market) to issue bonds in circumstances where they would at present be prevented by the Banking Act, subject to the bonds being issued by prospectus or having a full listing.

This should be helpful to companies wanting to make regular issues of bonds. Since regular issues amount to running a deposit-taking business, they are currently permissible under the Banking Act only by recognised banks or licensed deposit-takers or where exemption regulations have been made.

In addition to the prospectus/listing requirements, the regulations will also provide that such bonds must have a minimum maturity of one year and may be issued and traded only in denominations of at least £100,000. They may carry either fixed or floating rates of interest.

This step should particularly facilitate issues by companies of short-dated bonds, of under five years' maturity. The bank has issued a market notice setting out the arrangements which will apply to sterling issues of between one and five years' maturity.

The Control of Borrowing Order 1958 will be amended to provide for the Bank to be able to approve the amount and period of tap issues in addition to the existing provision for the Bank to approve the timing of discrete issues.

Pit strike cost

THE National Coal Board lost at least £1.85bn because of the miners' strike, Mr Peter Walker, Energy Secretary, told the Commons. The aftermath of the strike would cause further losses in the coming financial year, he said in a written answer.

Shift in treatment of taxation on investors' interest

DETAILS of special tax arrangements affecting building societies were spelled out by the Inland Revenue after the Budget speech. They covered the Chancellor's proposals to make a number of changes to the building societies' special "composite rate" arrangements, most of which will take effect from next year.

This follows the introduction from April 6 this year, of the composite rate scheme for banks. The changes proposed will ensure broadly similar treatment for investors in both types of institution.

Mr Lawson proposes a number of changes to the tax treatment of interest paid by building societies.

Societies will have to account quarterly for income tax in respect of interest paid to investors. The quarterly periods will end on the last day of May, August, November and February, and tax will be payable 14 days later. These arrangements will come into effect on March 1, 1986. There will be transitional provisions to deal with the changeover.

Societies will be permitted, from April 6 1986, to pay interest gross to non-resident individuals, non-resident holders of quoted Eurobonds, charities and registered Friendly Societies.

The limit (£30,000 in the case of a single account and £60,000 for a joint account) on investments to which the composite rate charge applies will be abolished, with effect from April 6 1985.

Societies will have to provide the Revenue with information about certain interest payments or credits made to investors.

The dates on which building societies will account for income tax are different from those for banks. This is to even out payments to the Exchequer and so help to smooth money market flows. Overall, the changes will have no significant effect on the PSBR in either 1985-86 or 1986-87.

The Chancellor intends to introduce the necessary enabling provisions in this year's Finance Bill, and to bring forward the detailed legislation in regulations to be laid in the autumn.

The present Building Society arrangements: Under Section 343 of the Taxes Act 1970, building societies may at present make arrangements with the Inland Revenue, whereby they account for tax at a special reduced rate on most interest paid or credited to investors.

Interest relief level stays

AFTER THE Chancellor sat down the Inland Revenue issued the following statement:

The Chancellor proposes:

To fix the mortgage interest relief limit at £30,000 for 1985-86 (the same as for 1984-85); to require lenders to apply the Miras arrangements to new loans above the limit, with effect from April 1987. Basic rate relief due within the limit would thus be given at source instead of through PAYE or tax assessments.

The mortgage interest relief limit

Loans for the purchase of improvement of the borrower's only or main residence are eligible for mortgage interest relief up to a limit which is fixed annually. The Chancellor proposes to set the limit at £30,000 for 1985-86, the same as for 1984-85.

Loans above the limit—Miras

Where the borrower's eligible loans exceed the £30,000 limit, relief is given for interest on the first £30,000. Lenders are not at present required to apply the arrangements for giving basic rate relief at source (Miras) to loans above the limit, but they may elect to do so if they wish, by giving notice to the Revenue.

The Chancellor proposes to introduce legislation in the Finance Bill, with effect from April 1987, to require lenders to apply the Miras arrangements to new loans above the limit. Basic rate relief at source would thus be given on the part of the loan which fell within the limit. Lenders will not be required to bring earlier loans above the limit into Miras, but they will retain the right to elect to do so if they wish. It is also proposed that lenders should have a right to elect to start bringing new loans above the limit into Miras from a date before April 1987, whether or not they elect to bring in old loans.

The Inland Revenue will be issuing a note to Miras lenders shortly giving fuller details of the proposal.

Personal allowances up and NI contribution structure change

THE financial statement and Budget Report published yesterday announced the following proposed tax changes:

The following paragraphs describe the Budget proposals for tax and national insurance contributions in detail (for a summary see the accompanying table). Among the proposals are substantial increases in the main income tax personal allowances, which will take 800,000 individuals out of tax (compared with the position if allowances had remained at their 1984-85 levels), improve incentives and support the other measures being proposed to encourage employment. These include changes to the structure of national insurance contributions for employers, employees and the self-employed. The proposals also continue the process of tax reform and simplification of the tax system. The description of proposed changes in Inland Revenue taxes is followed by those for Customs and Excise, and Vehicle Excise Duty. Finally, there is a description of the changes proposed to the structure of national insurance contributions. The direct effects of the proposed changes are shown in the accompanying table.

INLAND REVENUE

It is proposed—

To increase the single person's allowance and the wife's maximum earned income relief from £2,005 to £2,205 and the married allowance from £3,155 to £3,455.

To increase the additional personal allowance and widow's bereavement allowance from £1,150 to £1,250.

To increase the age allowance for the single person from £2,490 to £2,690, for the married from £3,955 to £4,255 and the age allowance income limit from £8,100 to £8,800.

To increase the basic rate limit to £16,200.

To increase the width of the 40 per cent band to £3,000, of the 45 per cent band to £5,200 and of the 50 per cent and 55 per cent bands to £7,900.

As a consequence of these changes, the structure of personal tax rates in operation in 1985-86 will be:

It is also proposed:—

To increase, with effect from 1986-87, the scales which determine the cash equivalent of car and car fuel benefits of directors and of employees whose remuneration is at the rate of £8,500 a year or more.

To reduce from seven to five years the period after which shares appropriated to employees under approved profit sharing schemes may be sold without income tax liability.

To introduce a tax allowance for half of the Class 4 national insurance contributions payable by the self-employed.

To extend the Business Expansion Scheme to companies carrying on research and development and to exclude certain property development companies from the scheme.

To change the basis under which certain partnerships are assessed in the early years following a change in the persons carrying on the business.

To increase the limit on tax relief at the higher rates allowed to individuals for covenants in favour of charities.

To amend the legislation relating to life assurance policies issued outside the United Kingdom.

To provide for mortgage interest relief (within the tax relief limit) to be given at source on new loans exceeding the limit, with effect from April 1987 unless the lender opts to start earlier.

CHARGEABLE VALUES FOR DEATH AND LIFETIME TRANSFERS

Chargeable value £000	Rate on death per cent	Lifetime rate per cent
0— 67	Nil	Nil
67 89	30	15
89—122	35	17½
122—155	40	20
155—194	45	22½
194—243	50	25
243—299	55	27½
299	60	30

To make minor amendments to the composite rate scheme for bank interest.

It is proposed:—

To change the special "composite rate" arrangements for Building Societies.

To introduce provisions for balancing adjustments where certain plant or machinery, particularly that with a short life, is depooled and disposed of within a specified number of years.

To allow writing down allowances on expenditure incurred after March 13, 1984 on new ships to be postponed and claimed at a later date, and to extend the arrangements for the postponement of allowances to expenditure incurred on or after April 1, 1985 on second-hand ships.

To exclude expenditure on land and houses from the scientific research allowance with effect from April 1, 1985.

To charge to tax on an acruals basis the discount on certain deep discount bonds issued principally to fund investment in United Kingdom Government securities.

To restrict the amount of a limited partner's share of the losses of a limited partnership which may qualify for tax relief.

To raise from £2 to £10 the limit on certain gifts which are excepted from the disallowance of business entertaining expenses and gifts.

To amend the rules providing for the set-off of first year allowances against profits of the three preceding years.

To amend the rules concerning the date on which expenditure is incurred for capital allowance purposes (announced on December 18, 1984).

It is proposed:—

To bring within the charge to capital gains tax instead of income tax the gains from certain transactions in commodity and financial futures and traded options.

To charge to tax as income rather than as capital gain that part of the price of any security which reflects accrued interest (announced on February 28 1985).

It is proposed to provide that certain of the accumulated tax losses of London Regional Transport shall be disregarded for the purposes of calculating future liability to corporation tax.

It is proposed—

To amend the indexation provisions so that relief is based on the March 1982 market value of assets acquired before April 1 1982 (for companies) or April 6 1982 (for individuals).

To extend the indexation allowance from the date on which an asset is acquired or from March 1982, if later, and to alow indexation to create or augment a loss.

To amend the rules which apply to a series of transactions between connected persons.

It is proposed—

To remove onshore activity from the scope of immediate petroeum revenue tax exploration and appraisal relief.

To restrict immediate petroleum revenue tax exploration and appraisal relief in respect of extended production tests by reference to the value of oil produced in such test; and to make other minor amendments.

It is proposed—

To increase the annual exempt amount in line with the increase in the retail prices index so that for 1985-86 an individual will be exempt on the first £5,900, and most trusts on the first £2,950, of capital gains.

To reform the retirement relief.

It is proposed to abolish development land tax with effect from March 19 1985.

It is proposed—

To increase the chargeable values for death and lifetime transfers in line with the increase in the retail prices index as shown in the accompanying table.

It is also proposed to extend the exemption for amenity land associated with a building of outstanding historic or architectural interest.

It is proposed—

To repeal, effectively from 19 March 1985, the 1 per cent duty on gifts;

To exempt from the 1 per cent duty, with effect from 26 March 1985, deeds of family arrangement, and transfers of property on the break-up of a marriage;

To repeal, with effect from 26 March 1985, the duty on contract notes;

To repeal, effectively from 19 March 1985, certain fixed duties;

To exempt, effectively from 19 March 1985, share exchanges on a takeover.

CUSTOMS AND EXCISE

It is proposed that from May 1, 1985 the standard rate of VAT will apply to the publication of advertisements in newspapers, journals and periodicals and associated services. Group 5 of Schedule 5 to the Vaule Added Tax Act 1983 will be repealed.

It is proposed to increase the registration and deregistration limits by order made under Schedule 1, paragraph 12 of the Value Added Tax Act 1983. From March 20, 1985 the registration limits will become £19,500 per annum and £6,500 per quarter. From June 1, 1985, the deregistration limits will become £18,500 per annum where estimated future turnover is concerned and £19,500 per annum where past turnover is concerned.

It is proposed to amend the law to implement certain recommendations relating to VAT in volumes 1 and 2 of the Report of the Keith Committee on the Enforcement Powers of the Revenue Departments.

It is proposed that from June 1, 1985 there will be relief from VAT on importation for certain goods imported solely for repair or processing which does not change their identity and return to their owners overseas. Further, goods reimported into the UK after processing will bear VAT only on the value of that process. Amending regulations will be made under powers in the Value Added Tax Act 1983.

It is proposed to extend relief from the liability to VAT in respect of bad debts. Section 22 of the Value Added Tax Act 1983 will be amended accordingly.

It is proposed that from 1 May 1985 transactions between companies providing services in connection with credit and charge cards and similar payment cards and the outlets accepting the cards will be exempt from value added tax. This will increase revenue by restricting the scope for input tax recovery. Group 5 (Finance) of Schedule 6 to the Value Added Tax Act 1983 will be amended by Treasury Order.

It is proposed from 1 May 1985 to extend zero-rating to computer equipment bought with donated funds for use by hospitals and other eligible bodies in medical research, diagnosis or treatment. Group 16 of Schedule 5 to the Value Added Tax Act 1983 will be amended by Treasury Order.

It is proposed, from midnight March 19-20 1985, to increase:

The rate of duty on spirits from £15.48 to £15.77 per litre of alcohol.

The rate of duty on beer from £24.00 to £25.80 per hectolitre and the charge for each additional degree of original gravity above 1030° per hectolitre from £0.80 to £0.86.

The rate of duty on cider and perry from £14.28 to £15.80 per hectolitre.

The rates of duty on wine and made wine by the following amounts per hectolitre:

Still wine and made-wine of an alcoholic strength:

less than 15 per cent: from £90.50 to £98.00;

not less than 15 per cent but not exceeding 18 per cent: from £157.50 to £169.00;

exceeding 18 per cent but not exceeding 22 per cent: from £183.30 to £194.90;

exceeding 22 per cent: £194.90 plus £15.77 (instead of £15.48) for every 1 per cent, or part of 1 per cent, in excess of 22 per cent.

Sparkling wine and made-wine of an alcoholic strength of less than 15 per cent from £149.40 to £161.80.

Sparkling wine of an alcoholic strength of 15 per cent and above bears the same rates of duty as still wine.

It is proposed, from 6 pm on 19th March 1985, to increase: the rate of duty on light hydrocarbon oil from £0.1716 to £0.1784 per litre; the rate of duty on heavy hydrocarbon oil for use as road fuel from £0.1448 to £0.1515 per litre.

The duty on petrol substitutes and spirits used for making power methylated spirits is charged at the same rate as on light hydrocarbon oil, and aviation gasoline and gas for use as road fuel are charged at half the rate on light hydrocarbon oil.

It is proposed, from midnight March 21-22 1985 to increase: the specific rate of duty on cigarettes from £24.97 to £26.95 per 1,000 cigarettes (the ad valorem rate remaining unchanged); the duty on hand-rolling tobacco from £40.60 to £43.73 per kilogramme.

BUDGET DETAILS Changes 2

VEHICLE EXCISE DUTY

It is proposed to increase the Excise duty on mechanically-propelled vehicles, other than goods vehicles, chargeable under Section 1 of the Vehicles (Excise) Act 1971 and under Section 1 of the Vehicles (Excise) Act (Northern Ireland) 1972 by about 11 per cent. The duty on most cars and light commercial vehicles will rise by £10 to £100, but the duty on pre-1947 cars will remain unchanged at £60.

The rates of duty for articulated heavy goods vehicles and for smaller rigid lorries will remain the same as for 1984-85 but those for about 150,000 vehicles in some of the heavier rigid classes will rise from their present levels by 7 to 29 per cent. These changes will bring the tax paid by the different categories of goods vehicle into a relationship more closely matching that of their respective road track costs. Duty rates on farmers' lorries over 7.5 tonnes will also be increased by varying amounts as the first stage of aligning them more closely with the use those vehicles make of the roads. The VED rate applying to 3-wheeled cars which currently applies to cars weighing up to 425 kilogrammes is to be extended to cars weighing up to 450 kilogrammes.

It is proposed to introduce legislation to enable designated post offices to charge for issuing temporary licences.

DIRECT EFFECT OF CHANGES IN DUTY RATES

(All except VED inclusive of 15 per cent VAT)

Spirits duty	+10p on a bottle of whisky
Beer duty	+1½p on a pint of beer
Wine duty	+6p on a bottle of table wine
Fortified wine duty	+10p on a bottle of sherry
Cider duty	+1p on a pint of cider
Petrol duty	+4p on a gallon of petrol
Derv duty	+3½p on a gallon of derv
Tobacco duty	+6p on a packet of 20 cigarettes
Vehicle excise duty	+£10 on a car licence

NATIONAL INSURANCE STRUCTURE

Employer Earnings £ p.w.	Employer Rate payable on all earnings %	Employee Earnings £ p.w.	Employee Rate payable on all earnings %
35.50 to 55	5	35.50 to 55	5
55 to 90	7	55 to 90	7
90 to 130	9	90 to 265	9
130 and over	10.45		

TAXABLE INCOME BANDS

£	Per cent
0—16,200	30
16,201—19,200	40
19,201—24,400	45
24,401—32,300	50
32,301—40,200	55
over 40,200	60

NATIONAL INSURANCE CONTRIBUTIONS

From 6 October 1985, changes are proposed to the structure of national insurance contributions. Unless otherwise stated, the decisions announced on 12 November 1984 will apply.

The lower and upper earnings limits are due to rise to £35.50 a week and £265 a week respectively from April, 1985. The main contribution rates will remain unchanged at 10.45 per cent for employers and 9 per cent for employees; but from October 6, 1985, a graduated structure of rates will be introduced above £35.50 as seen in the accompanying table.

For employers' contributions only, the full rate will become payable on all earnings above the upper earnings limit. The contracted-out rebate will continue to apply, both for employers' and employees' contributions, between the lower and upper earnings limits.

The flat rate Class 2 contributions paid by the self employed will be reduced from £4.75 per week to £3.50 per week, from October 6, 1985.

The Class 3 voluntary contributions will be reduced from £4.65 per week to £3.40 from October 6, 1985.

These changes will be included in the Social Security Bill now before Parliament.

DIRECT EFFECTS OF CHANGES IN TAXATION AND NATIONAL INSURANCE

	Forecast for 1985-86 £m	a full year† £m
INLAND REVENUE		
Income tax		
Increase in single allowance of £200 and married allowance of £300	−1,370‡	−1,700‡
Increase in additional personal allowance and widow's bereavement allowance of £100	−10‡	−10‡
Increase in age allowance of £200 (single) and £300 (married) and income limit of £700	−120‡	−160‡
Increase in basic rate limit of £600 to to £16,200	−50‡	−80‡
Increase in further higher rate thresholds	−40‡	−75‡
Fringe benefits—car and car fuel scales	Nil	+45‡
Reduction in share retention period under approved profit sharing schemes	−4‖	−10‡
Relief for self-employed national insurance contributions	−25	−55
Business Expansion Scheme—inclusion of research and development and exclusion of property development	Negligible	−1
Basis of assessment of partnerships	Negligible	Negligible**
Change in relief on covenanted gifts to charities	Negligible	−1
Offshore life assurance	Nil	Negligible
Extension of mortgage interest relief at source	Negligible	−2††
Composite rate for bank interest—minor changes	Negligible	Negligible
Income tax and corporation tax		
Building Society special arrangements	Nil	−20§§
Short life assets	Nil	¶¶‖‖
Postponement of allowances on ships	Negligible	a
New rules for scientific research allowance	Negligible	Negligible
Charge to tax in respect of certain deep discount bonds	Negligible	b
Limited partners' losses	Negligible	b
Limit on gifts for business entertaining	Negligible	Negligible
Set-off of first year allowances	Nil	Nil
*New rules for date capital expenditure incurred	−15	−25
*Reduction in allowances for agricultural buildings	¶¶c	¶¶c
*Reduction in rate of initial allowance for hotels	¶¶c	¶¶c
*Changes in allowances for patent rights and know-how	¶¶c	¶¶c
*Reduction in rate of initial allowance for dredging	¶¶c	¶¶c
*Abolition of use requirement for writing down allowances	Negligible	Negligible
*Capital allowances on fixtures	Negligible	Negligible
*Relief for investment managers acting for non-residents	Negligible	Negligible
*Friendly Societies life assurance business	Nil	Nil
Income tax, corporation tax and capital gains tax		
Commodity and financial futures, and traded options	Negligible	Negligible
*Accrued income charge on securities	Negligible	+300d
Income tax, capital gains tax, capital transfer tax and stamp duties		
Minor exemptions for securities issued by European Communities	Nil	Nil(e)
Corporation tax		
London Regional Transport—accumulated tax losses	Nil	Nil
Corporation tax and capital gains tax		
Indexation relief based on March 1982 values	Nil	−105f
Other changes to indexation relief	Nil	−50g
Transactions between connected persons	Nil	Negligible
Oil taxation		
Removal of immediate PRT exploration and appraisal relief for onshore fields	+10	+6
Restriction of immediate PRT relief for extended production tests, and other minor changes	+10	+10
Capital gains tax		
Indexation of annual exempt amount	Nil‡	−10‡
Reform of retirement relief	Nil	−4
Development land tax		
Abolition	−20	−50h
Capital transfer tax		
Indexation of chargeable rate bands	−12‡	−35‡
Extension of exemption for amenity land	Negligible	−5
Stamp duties		
Repeal of duty on gifts	−10	−10
Repeal of duty on contract notes	−4	−4
Other changes	Negligible	Negligible
TOTAL INLAND REVENUE	−1,660	−2,050i
CUSTOMS AND EXCISE		
Value added tax		
Withdrawal of zero-rating of advertisements in newspapers, journals and periodicals	+30	+50
Increase in registration limits	Negligible	Negligible
*Implementation of Keith recommendations	+50	+150j
Relief for certain goods temporarily imported for process or repair	−30	Nil
Extension of bad debt relief	Nil	−25
Exemption of transactions between credit and charge card companies and participating retailers	+15	+20
Relief for certain computer equipment bought with donated funds	−5	−5
Excise duties		
Increase in rate of spirits duty	+10§	+10§
Increase in rate of beer duty	+115§	+120§
Increase in rate of duty on cider and perry	+5§	+5§
Increases in rates of wine and made-wine duties	+45§	+45§
Increases in rates of duty on light oil, etc	+200§	+200§
Increase in rate of duty on heavy oil for use in road vehicles	+50§	+50§
Increases in rates of tobacco products duties	+170§	+180§
TOTAL CUSTOMS AND EXCISE	+655	+800
Vehicle excise duty		
Changes in rates of duty	+230	+230
VED on three-wheeled cars	Nil	Nil
VED: Temporary First Licensing	Negligible	Negligible
Other		
Bus fuel grants	−5	−5
TOTAL CHANGES IN TAXATION	−780	−1,025i
National insurance contributions		
Reduction in rates for employers	−30	−80
Reduction in rates for employees	−100	−270
Reduction in rates for self-employed and voluntary rates	−30	−100
TOTAL CHANGES TO NATIONAL INSURANCE CONTRIBUTIONS	−160	−450

* Items so marked were announced before Budget Day.

† The direct effects of tax changes are generally estimated by applying the new and old tax rates and allowances to the taxable income and expenditure expected in the economic forecast in Part 3, taking account of changes in taxpayers' behaviour arising from the tax change where these behavioural changes can be readily estimated. For the meaning of a full year see the note of page 9 of the FSBR 1981-82. The full year figure for national insurance contributions is the difference between the revenue that would have been received in respect of 1985-86 on the basis of the contribution rates and earnings limits announced in November 1984, and the revenue that would have been received in respect of 1985-86 if the new arrangements had been fully in place at the start of that year.

‡ Taxes subject to statutory indexation. The table below shows the direct revenue effects of indexing the income tax main allowances and thresholds (which are shown as the first five lines in the table above), the capital gains tax exempt amount and the capital transfer tax threshold and bands by reference to the increase in the general index of retail prices between December 1983 and December 1984 (4.6 per cent), rounded in accordance with the statutory provisions, together with the costs of the proposed changes on top of indexation:

Direct Revenue Effects £m

	Indexation 1985-86	Indexation Full year	Proposed changes on top of indexation 1985-86	Proposed changes on top of indexation Full year	Total 1985-86	Total Full year
Income tax						
Main allowances	−770	−960	−730	−910	−1,500	−1,870
Basic rate limit	−50	−80	Nil	Nil	−50	−80
Further higher rate thresholds	−40	−75	Nil	Nil	−40	−75
Total income tax	−860	−1,115	−730	−910	−1,590	−2,025
Capital gains tax Exempt amount	Nil	−10	Nil	Nil	Nil	−10
Capital transfer tax Threshold and bands	−12	−35	Nil	Nil	−12	−35

§ The table below shows the direct revenue effects of indexing the excise duties by reference to the increase in the general index of retail prices between December 1983 and December 1984 (4.6 per cent):

Direct Revenue Effects £m

Commodity	Indexation 1985-86	Indexation Full year	Proposed changes compared with indexation 1985-86	Proposed changes compared with indexation Full year	Total 1985-86	Total Full year
Beer, cider and perry	+70	+75	+50	+50	+120	+125
Wine	+25	+25	+20	+20	+45	+45
Spirits	+30	+30	−20	−20	+10	+10
Tobacco	+105	+110	+65	+70	+170	+180
Petrol	+200	+200	Nil	Nil	+200	+200
Derv	+50	+50	Nil	Nil	+50	+50
VED	+100	+100	+130	+130	+230	+230
Minor duties	+10	+10	−10	−10	Nil	Nil
Bus fuel grants	−5	−5	Nil	Nil	−5	−5
Total	+585	+595	+235	+240	+820	+835

‖ Effect on tax liabilities in respect of 1986-87; the yield in 1986-87 will be £40m.

‖‖ These estimates are highly uncertain.

** The proposal affects partnership changes taking place after 19 March 1985, but the basis of assessing liabilities for 1985-86 will for most cases be the same as before. Receipts will build up from about £5m in 1986-87 to about £30m in 1988-89.

†† In addition in 1986-87 and in 1987-88 there will be £5m and £20m respectively of relief brought forward from the following year. These estimates are highly uncertain.

§§ Reduction in corporation tax. The proposal brings forward payments of composite rate income tax within the financial year. This reduces the earnings of societies (and therefore the corporation tax on those earnings). There is also a reduction in the cost of funding the PSBR.

¶¶ Affects tax liabilities from 1986-87.

‖‖ The cost will depend upon the proportion of expenditure on machinery or plant which is depooled. If the proportion were 25 per cent and the disposal value of assets sold were 10 per cent of their cost, revenue costs could rise from nil in the first two years to about £300m by 1991-92.

a Highly uncertain and depends upon take-up by industry. The cost could be up to £40m by 1990-91.

b Indeterminate saving, possibly about £30m. Depends partly on the outcome of current litigation.

c These items were included as part of the 1984 Budget corporation tax measures and their effects were included in the forecast published in the 1984-85 FSBR.

d Effective from February 28 1985. Effect on tax liabilities in respect of the year from that date.

e Essentially a codifying measure.

f Capital gains tax −£75m; corporation tax −£30m. The cost in 1986-87 will be £35m (capital gains tax £25m; corporation tax £10m).

g Capital gains tax −£40m; corporation tax −£10m. The cost in 1986-87 will be £20m (capital gains tax £15m; corporation tax £5m).

h Development land tax −£75m, capital gains tax +£10m; corporation tax +£15m. The cost in 1986-87 will be £40m (development land tax −£45m; capital gains tax +£2m; corporation tax +£3m).

i Includes +£345m in respect of items not taking effect until 1986. Components will not necessarily sum to total because of rounding.

j The yield in 1985-86 will come from larger assessments raised against certain persistently defaulting traders. Implementation of the Keith Committee proposals will lead to additional revenue from improved compliance amounting to £600m by 1988-89. The full year yield will accrue from penalties, surcharges and interest building up over time to an annual total of £150m. There will also be a continuing reduction of Government debt interest.

Main allowances

CENTRAL GOVERNMENT TRANSACTIONS

£bn	1984-85 Budget forecast	1984-85 Latest estimate	1985-86 Forecast
Receipts			
Taxes	89.4	89.7	97.3
National insurance, etc. contributions	23.0	22.7	24.6
Other	10.2	12.1	12.2
Total	122.7	124.5	134.1
Expenditure			
Current expenditure on goods and services (including capital consumption)	43.5	44.1	46.3
Current grants and subsidies	66.1	68.2	69.6
Interest	13.9	14.8	15.4
Net lending and capital expenditure, excluding on-lending to local authorities and public corporations	4.5	4.2	4.0
Unallocated Reserve	—	—	3.6
Total	128.0	131.3	139.9
Central Government Borrowing Requirement on own account	5.3	6.8	5.8

Treasury seeks approval of £96bn supply estimates

MAIN supply estimates for 1985-86 have today been presented to Parliament by Mr John Moore, Financial Secretary to the Treasury. They seek parliamentary approval for spending by Government departments of £96bn during the next financial year. Of this, £72.9bn is classified as public expenditure. This takes account of changed assumptions or new decisions since the Government's public expenditure plans were published on January 22 in the White Paper.

A summary and guide to the estimates has been presented to Parliament by Mr Peter Rees QC MP, Chief Secretary to the Treasury. It is a successor to the booklet previously known as the Memorandum by the Chief Secretary.

The summary and guide summarises the expenditure covered by the estimates.

The main points in the summary and guide are:

● Main supply estimates provision in 1985-86 of £96bn is 2.8 per cent higher than forecast outturn for 1984-85.

● Central Government departments are estimated to employ 605,270 civil servants on April 1 1985, falling to 598,545 by April 1 1986, at a cost of £5.6bn during 1985-86.

● 185 main estimates have been presented, including two for House of Commons administration and the National Audit Office presented by Mr Speaker and the chairman of the Public Accounts Commission respectively. Of these 120 are subject to cash limits. (The respective figures for 1984-85 were 183 and 118.)

GDP should be 3½% up on last year's level

THE financial statement published yesterday outlined short-term prospects for the period to mid-1986. It said:

Summary

There was a broadly based expansion in domestic demand in 1984 with real incomes both of persons and of companies rising. Further rises in fixed investment and private consumption are forecast, though the recent rise in interest rates will tend to reduce the growth in spending. For 1985 as a whole, helped by further growth in world trade, the level of GDP should be 3½ per cent up on 1984, including a contribution of about ¼ per cent from the ending of the coal strike.

Employment, in particular self-employment, has been rising quite strongly since early 1983. But earnings have risen much faster than prices in the UK, to a greater extent than, for example, in the U.S. or Germany, and this has limited the growth of employment. With the labour force growing quite rapidly the number of those claiming unemployment benefits has continued to increase.

Inflation rates stayed around or below 5 per cent for much of 1984, despite the higher costs of imports. As some of these are passed on, the first half of 1985 is expected to see some increase in inflation. But the trend towards lower inflation should be re-established after the middle of 1985. The forecast for the RPI increase between the fourth quarters of 1984 and 1985 is 5 per cent; and for mid 1986, more uncertainly 4½ per cent.

The basic assumption for the UK forecast is that fiscal and monetary policies are set within the framework of the Medium Term Financial Strategy. The sterling index is assumed not to change much. These assumptions are consistent with a rise in money GDP in the financial year 1985-86 of about 8½ per cent.

The current account, on provisional estimates, was in balance in 1984, despite the extra oil imports for electricity production. Further rises in exports, and the end to the coal strike, should make for a sizeable surplus on the current account over the forecast period. With oil production at or near its peak and with high sterling oil prices, the contribution of North Sea oil to the current account of the balance of payments is forecast to be at its maximum in 1985. North Sea oil and gas output represents about 6 per cent of GNP.

There was a rapid expansion of world trade and output in 1984, above all in the United States. Output in much of Europe remained quite sluggish. Inflation has in general fallen and the prices of many commodities (but not oil) have fallen further in real terms since mid 1984. More moderate growth in the U.S. this year is unlikely to be fully offset by faster growth in Europe but the outlook overall is for reasonable growth in world output and trade combined with generally low inflation. The extent of the U.S. current account deficit, the strength of the U.S. dollar and the problems facing some major debtor countries are, however, evidence of strains on the world economy.

The recovery in activity was not accompanied by additional inflationary pressures. Although some commodity prices rose sharply in 1983 and early 1984, most weakened in the second half of the year. Consumer prices inflation declined in most countries, particularly France and Italy.

The dollar has continued to strengthen against all other major currencies despite some fall in U.S. interest rates in the second half of 1984 and despite an increasing U.S. current account deficit. By the end of February 1985, the effective dollar exchange rate was over 25 per cent above its level of two years ago and over 60 per cent above its 1979 level, despite little difference over these periods between U.S. inflation and the average OECD inflation rate.

Oil prices in dollar terms weakened in 1984, although measured in other currencies they rose. After allowing for the strong dollar and low world inflation, oil prices changed little in real terms. With oil demand picking up only slowly despite the recovery in activity and with non-OPEC production falling in 1984 to below 19m barrels per day (oil and natural gas liquids) compared with over 30m barrels per day in the late 1970s.

Outside the U.S., there have been some further moves to cut budget deficits. The disparity in trends of budget deficits between the U.S. and other developed economies has been reflected in growing imbalances on the current account of the balance of payments, although the picture is obscured by large measurement errors. The recorded U.S. current account deficit in 1984 was about $100bn, while the Japanese surplus rose to about $35bn and the German surplus to $6bn. With a sharp growth in exports to the U.S. and elsewhere, and further domestic adjustment, the current account position of developing countries also improved and some of the major debtors moved towards balance or into surplus.

The world recovery, which began at the end of 1982, seems to be well established. Growth in North America is slowing to a *more sustainable* rate and GNP in the U.S. and Canada may rise 3 or 4 per cent between 1984 and 1985. *In Japan, another* year of growth in the region of 5 per cent is expected. Prospects in Europe are for continued, if still relatively slow, expansion. These developments should enhance the prospect of further adjustment by debtor countries, taken as a whole.

But substantial risks remain. Imbalances may increase in 1985. Government deficits are generally planned to fall in Europe and in Japan; but in the U.S., despite the prospect of some budget cuts for fiscal 1986 and lower levels of unemployment, the Federal deficit is expected to remain high. The U.S. deficit and larger corporate borrowing needs could push up short-term interest rates again. The U.S. current account deficit may increase further, with large counterpart surpluses in Germany and Japan.

The exchange rate and the balance of payments.

The sterling index is now some way below the levels assumed in both the 1984 FSBR and the autumn statement. Almost half of the fall in sterling over the past year has been *the counterpart of the dollar's* strength against all major currencies. The coal strike and the *expectation of a fall in oil* prices have also contributed to pressure on sterling. This forecast assumes that the sterling index will not change much from its average level in January and February.

The lower exchange rate means that over the last year most measures of price and cost competitiveness of UK manufactures have shown gains estimated at about 10 per cent. The gain in labour cost competitive*ness has been less than the fall* in the exchange rate, as earnings in the UK, particularly in *manufacturng, continue to grow* faster than those of our major competitors. This trend is expected to continue over the forecast period implying, on the assumption of no major changes in the exchange rate, that some of the recent gains in cost competitiveness will be reversed.

The lower exchange rate has not been fully reflected in import prices because *of* a reduction in importers' profit margins; nevertheless, import prices *of goods* and services rose *12* per cent between the fourth quarters of 1983 and 1984. The non-oil terms of trade deteriorated by 2 per cent mainly because of the fall in the exchange rate: little further change is expected over the next year.

The UK current account was in balance (on provisional data) for 1984 as a whole. Deficits on manufactured goods, food and basic materials, and transfers were roughly offset by surpluses on services, oil, and interest, profits and dividends.

The direct effect of the coal strike on the current account in 1984 is estimated to have been *about £2¾bn. Following the* ending of the strike, the effect on the 1985 balance will be *lower, at about £1¼bn in the first* quarter of the year.

Export volumes (excluding oil and erratics) rose by 9 per cent in 1984, the largest increase in a single year since 1976. Exports of manufactures (excluding erratics) rose by some 10½ per cent, largely due to the very rapid growth, probably of 10 per cent or so, in world trade in manufactures. Since 1981, the gradual improvement in cost competitiveness has helped the UK broadly to maintain its volume share of world trade in manufactures. The fall in the exchange rate, which has led to a lowering of UK export prices relative to those of our competitors, has contributed to a fall in the value share.

In 1985, UK exports of manufactures are expected to grow somewhat faster than world trade, as recent gains in cost competitiveness help export volumes. Exports of non-manufactures should also continue to *grow. Exports of goods (excluding oil) are forecast to grow by* 7½ per cent in total.

Import volumes (excluding oil and erratics) also grew rapidly in 1984 as the domestic recovery continued, rising by 10½ per cent. Imports of manufactures grew by a similar amount. This compares with an increase of 5 per cent in domestic demand for manufactures, implying some further increase in import penetration. This continues the longer term trend with much of the growth in domestic demand for manufactures being met from imports.

For 1985, recent *improvements in competitiveness* and slower growth in domestic demand for manufactures (*which grew rapidly in 1983* and 1984) may lead to a smaller rise in imports of manufactures. Other non-oil imports grew relatively slowly in 1984: imports of food, drink and tobacco rose by 4 per cent and imports of basic materials fell. For 1985, imports of these goods may again grow rather less than total final expenditure. Both *developments would* be consistent with past trends in import penetration. Value *shares generally show similar* movements *over* the medium term.

There is likely to be a small increase in oil production in 1985 when North Sea oil output may reach its peak. With the end of the coal strike, fuel imports should fall in 1985 which may also be the peak year for the contribution of oil to the balance of payments.

The world recovery and improvements in competitiveness have not yet been reflected in provisional estimates of the balance of trade in services: the *1984 balance is estimated to* have been close to the 1983 level. Some improvement in *the services balance should* occur in 1985.

The surplus on interest, profits and dividends *(IPD)* recovered sharply in the second half of 1984 to give a provisional outturn for the year as a whole of £2¼bn compared to £1¾bn in 1983. A further improvement is expected in 1985 helped by the rising stock of assets and the rise in the dollar over the last years.

The overall picture is thus one of a sizeable current account surplus both for 1985 and for the first half of 1986, perhaps of the order of £3bn at an annual rate. Within that total, *some further decline* in the balance of trade in manufactures is forecast, continuing the trend which *has seen* the balance fall from a surplus of 5 per cent of GDP in 1970, to one of 3 per cent in 1978, and to a deficit of 1 per cent last year. The balance of trade in oil should show a substantial improvement with the end of the coal strike, and improvements to the services and IPD accounts should raise the surplus on invisibles.

Current account surpluses together with capital gains and *currency* changes have led to a continuing increase in overseas assets. The UK's net external assets have *risen* as a percentage of GDP from 7½ per cent at the end of 1979 to an estimated 23 per cent last year, from £13bn to £75bn.

Inflation

In 1984, inflation in the UK continued at around the same rate as in 1983; the increase in the RPI of 4¾ per cent between the fourth quarters of 1983 and 1984 was in line with earlier Government *forecasts*. UK inflation remains a little below the European average, which has declined over the last year, but above that in the U.S., Japan *and Germany. 1983 and 1984* were the first two successive calendar years since the late 1960s to record growth in the RPI at 5 per cent or below. In January 1985 the RPI was 5 per cent higher than a year earlier; in January and February producer output prices were over 6 per cent higher.

The sterling exchange rate index fell by some 13 per cent between February 1983 and *February 1984, almost half of* which was due to the rise in the dollar, bringing its total *decline since the peak in early* 1981 to over 30 per cent. Import prices in the course of 1984 rose by 12 per cent. The reduction in inflation during the period of sterling depreciation reflected the downward pressure on prices exerted by the Government's macroeconomic financial framework.

In 1984 there was an underlying *growth in unit labour* costs for the economy as a whole of 4 per cent through the *year, close to the 1983 rate.* Underlying growth in earnings (ie abstracting from the effect of the coal strike, backpay, etc) continued at around 7½ per cent, underlying growth in output per head was around 2½ per cent, while the abolition of the National Insurance Surcharge in the autumn reduced labour costs by about 1 per cent through the year.

Most people in work again experienced a substantial increase in living standards. In the current round, settlements on average are not very different from those in the last two years. Over and above the basic increases negotiated under pay settlements, additional elements —such as productivity deals, bonus payments, and changes in overtime and short-time—have contributed to average earnings *growing at a* rate of about 7½ per cent. The underlying pre-tax growth in real earnings during *1984 was aproaching* 3 per cent, much the same rate of increase as over the previous two years.

There is not much sign of any major change, up or down, in the rate of pay settlements and earnings increases. On this basis, labour costs may rise by about 5 per cent over the next year, a little faster than during 1984 when NIS was abolished. With some fall in growth in the world economy expected, increases in world prices are likely to remain very modest; on the assumption of not much *change in the sterling index*, the rate of growth of import prices may be les than 5 per cent over the next year.

Profit margins on domestic sales fell towards the end of 1984 and at the beginning of 1985, although increasing profit margins on exports and a generally higher level of output permitted a continuing healthy growth of profits. There may be some recovery of domestic margins during the early part of 1985. The rate of growth of the RPI may be about 6 per cent in the second quarter. Before the end of the year overall conditions in the economy should be consistent with inflation *moving down again*. By the fourth quarter, the rise in the RPI may be about 5 per cent, broadly *in line* with costs. By mid 1986, with a slower growth in import costs, inflation may be around 4½ per cent. The rises in mortgage rates in late 1984 and early 1985 have had a marked effect on the housing component.

Other price indices have moved somewhat differently from the RPI. The differences *reflect mainly:*

(a) changes in world prices and the exchange rate: those *indices which give a substantial* direct weight to export or import prices (such as the deflator for total final expenditure), or which are strongly influenced by import prices (such as the producer price index for manufacturers' output) have tended to rise faster than the RPI; and

(b) the movement of mortgage *rates, which affect only the RPI.*

The GDP deflator—a measure of the rise in prices of UK *inputs, above all of wages and* profits—has been rising particularly slowly in 1984. In part this reflects delays in public sector pay settlements, and it has also been affected by the fall in electricity profit margins during the coal strike. There may also have been some fall in profit margins on domestic sales during the second half of 1984 as output prices lagged behind import costs when the exchange rate fell. The GDP deflator is forecast to rise by 5 per cent in 1985-86, a little more than the previous year, as profit margins recover and the other special factors unwind.

Recent figures are shown in the accompanying table.

Demand and activity

Latest estimates suggest that *growth of GDP* was about 2½ per cent in 1984. The different measures of GDP have been telling rather different *stories* about growth in recent quarters; the income measure has shown stronger growth and the expenditure measure weaker growth than the average measure. This needs to be borne in mind when interpreting figures for saving by persons and companies, which rely on the (uncertain) difference between income and expenditure measures. Recent statistics of GDP should also be interpreted in the light of the tendency for initial estimates of GDP growth to be subjected to upward revision.

Statistics on the economy over the last year have been distorted by the coal strike. The overtime ban and subsequent strike reduced output in the coal industry in 1984 by well over half. There has been some effect on the output of other industries; in particular, net output (value added) in the electricity industry has been reduced by substitution of higher cost oil for coal. The direct effect of the coal strike on domestic output in 1984 is estimated at about 1 per cent. In terms of components of expenditure the main effects of the strike were lower net exports of fuel and lower stockbuilding (principally the run down in stocks of coal at power stations). Estimates of the effect of the strike on output do not include indirect effects through its impact on financial, business and consumer confidence, *or through loss of* output in businesses dependent on the custom of those miners on strike.

The upswing which started in the first half of 1981 is now about to enter its fifth year. In the early stages of the recovery the major contribution to growth came from consumers' expenditure, as the personal saving ratio declined in response to the fall in inflation and interest rates between 1980 and 1983. *Since the latter part of* 1983, however, private investment and exports have played a more important part in the growth of GDP. A feature of the present upswing has been the continuing decline in stock-output ratios; apparently many firms are still adjusting stocks towards lower desired levels. When this process of adjustment is completed, a stabilisation of stock-output ratios should itself add to GDP growth.

Between 1980 and 1983 the personal saving ratio fell by almost a third. Since the first half of 1983, however, the growth of spending has been more closely in line with the growth in income.

Borrowing by the personal sector from banks and building societies increased by about 18 per cent in 1984. Thus, the ratio of the personal sector's financial liabilities to income continued the rise which began in 1981 as households adjusted to financial liberalisation. The *growth in liabilities* has been more than matched by growth in holdings of financial assets, partly because of capital gains on equities and gilts. The value of tangible assets, including housing and consumer durables, is also rising quickly, partly because of the high level of sales of council houses.

With earnings growth continuing well ahead of inflation and with some continued growth *in employment* and allowing for the tax reductions announced in the Budget, growth of real personal disposable income of about 3½ per cent is expected in 1985. There may be a small rise in the saving ratio, in part because of the increase in *interest* rates in early 1985; but most of the rise in incomes should be reflected in growth in consumers' expenditure, of perhaps 3 per cent in 1985.

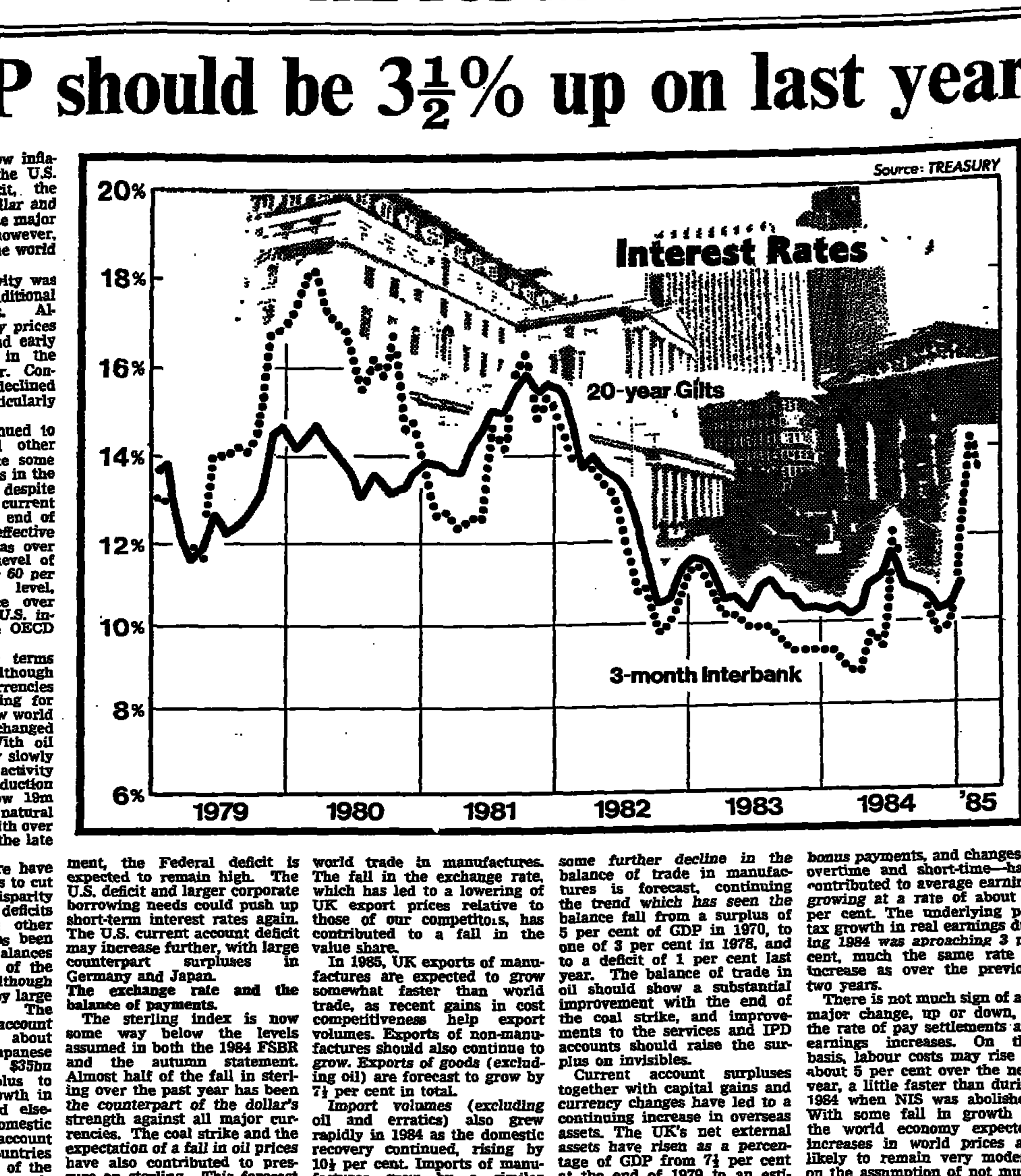
Investment in dwellings by the personal sector continued to rise quite strongly in the first half of 1984, but fell back in the second half; and no rise in this component of expenditure is expected in 1985. The high level of mortgage rates is likely to restrain growth in investment in new dwellings. Spending on improvements was high in the first half of 1984 in anticipation of the extension of VAT.

Industrial and commercial companies (ICCs) profits net of stock appreciation in the first three quarters of 1984 were about 20 per cent *higher* than in *the* corresponding period of 1983, with profits from North Sea activities rising at much the same rate as non-North Sea profits. The net pre-tax real rate of return earned by non-North Sea ICCs in 1984 was probably about double the 3½ per cent they earned in 1981 at the trough of the cycle.

Tax payments follow profits with a lag, and dividend payments have also risen much less than profits over the last two years. In line with the normal cyclical pattern, companies' capital expenditure has also lagged behind the growth in profits. As a result there appears *to have been a big increase in* ICC's financial surplus. Companies' outgoings on tax, dividends and capital expenditure may rise faster than company incomes over the next year. Nevertheless, a large financial surplus is expected to persist. The recorded figures are, however, subject to very large margins of error, as indicated by the large balancing item in the industrial and commercial company accounts in the first three quarters of 1984.

Investment by manufacturing and service industries rose, on provisional figures, by 12 per cent in 1984, which means that for the first time it exceeded the previous cyclical peak reached in 1979. Business investment seems set to show a further large increase in 1985;

Continued on Page 17



DOMESTIC DEMAND, EXPORTS AND SUPPLY

Per cent changes on a year earlier	1984	1985	1986 First half
Domestic demand	2	3	3
Exports of goods and services	6½	6½	3
Imports of goods and services	8½	3½	3½
Domestic production: GDP†	2½	3½	2½
Manufacturing output	3½	2½	2

† Average measure.

WORLD ECONOMIC PROSPECTS

Per cent changes on a year earlier	1983	1984	1985	First half 1986
GNP in major seven countries*	2½	5	3½	3
Consumer prices in major seven countries*	4½	4½	4	4
World imports	2	9½	5½	5½
World trade in manufactures (UK weighted)	1½	10	5½	4½

* U.S., Canada, Japan, France, Germany, Italy and UK.

SHORT-TERM ECONOMIC PROSPECTS

	Forecasts	Average errors from past forecasts†
A. Output and expenditure at constant 1980 prices		
Per cent changes between 1984 and 1985:		
Gross domestic product (at factor cost)	3½	1
Consumers' expenditure	3	1
General Government consumption	2	1½
Fixed investment	2	2
Export of goods and services	6½	2½
Imports of goods and services	3½	2½
Change in stockbuilding (as per cent of level of GDP)	0	0¾
B. Balance of payments on current account £bn:		
1984	0	—
1985	3	2½
1986 first half (at an annual rate)	3	4
C. Public Sector Borrowing Requirement £bn (in parentheses per cent of GDP at market prices):		
Financial year 1984-85	10½ (3½)	1 (0½)
Financial year 1985-86	7 (2)	4½ (1½)
D. Retail Prices Index		
Per cent change:		
Fourth quarter 1984 to fourth quarter 1985	5	2
Second quarter 1985 to second quarter 1986	4½	3½

* The errors relate to the average differences (on either side of the central figure) between forecast and outturn. The method of calculating these errors has been explained in earlier publications and government forecasts (see Economic Progress Report June 1981). The calculations for the constant price variables are derived from forecasts made during the period between June 1965 and October 1982. For the current balance and the retail prices index, forecasts made between June 1970 and October 1982 are used. For the PSBR, Budget forecasts since 1967 are used. The errors are after adjustment for the effects of major changes in fiscal policy where excluded from the forecasts.

FORECASTS OF EXPENDITURE, IMPORTS AND GROSS DOMESTIC PRODUCT*

£bn at 1980 prices, seasonally adjusted

	Consumers' expenditure	General government consumption	Total fixed investment	Exports of goods and services	Change in stocks	Total final expenditure	Less imports of goods and services	Less adjustment to factor cost	Plus statistical adjustment	GDP at factor cost	GDP index 1980=100
1980	136.8	48.8	41.6	63.3	−2.9	287.6	57.6	30.9	−0.3	198.0	100.0
1981	136.4	48.9	38.1	62.1	−2.7	282.8	55.6	30.3	−0.9	196.0	98.6
1982	137.6	49.3	40.6	62.8	−1.2	289.1	57.8	31.4	0.2	200.1	100.6
1983	143.1	50.8	42.3	63.6	0.2	299.9	60.9	32.5	−0.3	206.2	103.7
1984	145.4	51.2	45.1	67.8	−0.7	308.8	66.3	33.2	2.1	211.3	106.3
1985	149.8	52.3	46.1	72.1	−0.3	319.9	68.5	34.1	1.0	218.3	109.8
1983 First half	70.7	25.3	20.9	31.5	−0.1	148.3	29.8	16.2	−0.2	102.1	102.7
Second half	72.4	25.5	21.4	32.1	0.3	151.6	31.1	16.3	−0.1	104.1	104.7
1984 First half	72.4	25.5	22.9	33.3	−0.8	153.2	32.2	16.5	0.6	105.1	105.7
Second half	73.1	25.7	22.2	34.5	0.0	155.6	34.1	16.7	1.5	106.2	106.8
1985 First half	74.2	26.2	22.9	35.8	−0.2	158.8	34.0	16.9	0.5	108.4	109.0
Second half	75.6	26.1	23.1	36.4	−0.1	161.1	34.5	17.2	0.5	109.9	110.5
1986 First half	77.1	26.0	23.2	36.9	0.2	163.4	35.2	17.4	0.5	111.2	111.8
% changes:											
1982 to 1983	4	3	4	1½	—	4	5½	3½	—	—	3
1983 to 1984	1½	1	6½	6½	—	3	8½	2½	—	—	2½
1984 to 1985	3	2	2	6½	—	3½	3½	2½	—	—	3½
1985 First half to 1986 First half	4	−1	1	3	—	3	3½	3	—	—	2½

* GDP figures in the table are based on "compromise" estimates of gross domestic product, reflecting for the past average movements in constant price expenditure, output and income estimates of GDP. Percentage changes are calculated from unrounded levels and then rounded to half per cent. Totals in £ billion may not add due to rounding. Figures beyond 1984 are forecasts. Earlier figures include some revisions which will be incorporated in the full set of national accounts to be published by CSO on March 22.

CURRENT ACCOUNT, BALANCE OF PAYMENTS BASIS

	Manufacturing	Oil	Other Goods	Invisibles	£bn Total
1983	−2½	7	−5½	3½	2½
1984	−4	7	−7½	4½	0
1985	−4½	10	−8	5½	3

PRICE INDICES

Per cent changes on a year earlier

	RPI	GDP deflator market prices	Deflator for total final expenditure	Producer output prices
1983	4.6	5.2	5.8	5.4
1984	5.0	4½†	5½†	5.6

* Manufacturing industry other than food, drink and tobacco.
† Estimate.

RETAIL PRICES INDEX

Per cent changes on a year earlier

	Weight	1983 Q4	1984 Q4	Forecast 1985 Q4	Forecast 1986 Q2
Food	20	6	3½	4	4½
Nationalised Industries (including water)	10(9*)	2	4	5½*	5½*
Housing	14	6½	10½	7	2
Other	56(57*)	5	4	5*	4½*
Total	100	5	4½	5	4½

† Including London Transport, excluding water.

OUTPUT PER HEAD

Annual averages per cent changes	1964-73	1973-79	1979-84
Manufacturing	3½	0½	3½
Non-manufacturing*	3½	0½	1½†

* Excluding public services and oil.
† Adjusted for the coal strike.

FORECAST AND OUTTURN

	Forecast	Outturn	Average error from past forecasts
RPI: per cent increase between the fourth quarters of 1983 and 1984	4½	4½	2

	Forecast	Latest estimate/forecast	Average errors from past forecasts
Total output: per cent change between 1983 and 1984	3	2½ (3½)*	1
Current account of the balance of payments in 1984, £bn	2	0 (2½)*	2½
PSBR, financial year 1984-85, £bn	7¼	10½ (7½)*	4½

* Figures in parentheses adjust the latest estimates for the direct effects of the coal strike.

Further progress to lower inflation is medium-term aim

THE financial statement published yesterday detailed the medium-term financial strategy. It said:

The Medium Term Financial Strategy (MTFS) has provided the financial framework for economic policy since 1980. It is designated to achieve falling inflation, with the ultimate objective of stable prices, through a progressive decline in monetary growth supported by lower public sector borrowing.

Within this framework, the economy has now been growing steadily for nearly four years as inflation has fallen to around 5 per cent. Productivity has risen by 11 per cent over the same period and, since early 1983, employment has increased by nearly half a million. The Government will continue to encourage enterprise, efficiency and flexibility in both the public and private sectors—by promoting competition and the improved working of markets, by pressing ahead with privatisation and by improving incentives. Moderate pay settlements will lead to more jobs and lower unemployment; adherence to the MTFS guarantees that this moderation will not result in a reduction in overall demand.

Recent financial conditions

During the past year, growth of the targeted narrow money aggregate M10 has been near the centre of its range. Growth of the targeted broad money aggregate £M3 has been around the top of its range. Inflation has been broadly as envisaged a year ago, and output has risen by 2½ per cent despite the coal strike. However, the PSBR and interest rates have both been higher than expected, and the exchange rate lower, particularly against a very strong dollar.

Other measures of narrow money grew significantly faster than M0, but were distorted by identifiable factors. The growth of M1 continued to be inflated by the rise in its interest-bearing component, particularly wholesale deposits. M2, about three-quarters of which is interest-bearing, behaved more like a measure of broad money; and interpretation was complicated by changes in the terms of some building society accounts. Neither aggregate provided useful information on narrow money to complement M0.

All the measures of broad money, and especially PSL2, have been affected to some extent by financial liberalisation and intensified competition between banks and building societies. Over the past five years, households have increased both their borrowing and their holdings of liquid financial assets. This build-up of wider liquidity seems to have reflected an increase in the demand for liquid asset as a form of savings. It has been consistent with lower inflation and a steady decline in the growth of money GPD. As a result, the significance of the broad aggregates as monetary indicators has somewhat diminished.

The relatively high growth of £M3 last year was associated with a combination of high public sector borrowing and high bank lending, partly offset by substantial sales of Government debt.

The sterling exchange rate index fell by about 10 per cent during 1984-85. During the early months the fall largely reflected the strength of the dollar, although industrial unrest may also have been a contributory factor. Subsequently it was affected by fears about dollar oil prices.

There was a sharp rise in interest rates in July, which was fairly rapidly reversed. Short-term interest rates again rose sharply in January 1985, and were about 14 per cent in mid-March.

Monetary policy

The Government will continue to set targets for M0, as a measure of narrow money, and £M3, as a measure of broad money. As before, there will be separate ranges for each, reflecting their different trend growth rates. The targets for 1985-86 and the illustrative ranges for later years are shown in the accompanying table; they are unchanged from last year's MTFS. No special role will be assigned to PSL2 or M2.

Precise target ranges for later years will be decided nearer the time and will take account of any changes in the financial structure, such as those affecting building societies, that could alter the significance of particular aggregates. The target ranges will be chosen to maintain downward pressure on the growth of money GDP and thus on inflation. The accompanying table shows the assumptions about the growth of money GDP on which the present ranges are based. Within a given growth of money GDP, lower inflation will mean faster growth in real output.

Equal weight will be given to the performance of M0 and £M3, which will continue to be interpreted in the light of other indicators of monetary conditions. Significant changes in the exchange rate are also important. It will be necessary to judge the appropriate combination of monetary growth and the exchange rate needed to keep financial policy on track: there is no mechanistic formula.

The Government's overriding aim will be to maintain monetary conditions consistent with a declining growth of money GDP and inflation. Short term interest rates will be held at the levels needed to achieve this.

One factor underlying the concern over monetary conditions during last year was public sector borrowing. The PSBR in 1984-85 is now forecast to be £10½bn, equivalent to about 3¼ per cent of GDP. This is £2bn higher than in the Autumn Statement, and £3¼bn higher than expected at the time of the 1984 Budget. By far the most important single factor in the overshoot in 1984-85 has been the coal strike, which is estimated to have added £2½bn to public sector borrowing. As a result, the PSBR has remained virtually unchanged at around 3¼ per cent of money GDP for the last four years. This is considerably less than it was over the previous four years, when it averaged nearly 5 per cent of GDP, but it is still not low enough.

Last year's MTFS indicated the level of the PSBR which the Government considered appropriate over the medium term. A sharp reduction is now needed to keep in line with that projection.

The PSBR for 1985-86 is forecast to be £7bn, or 2 per cent of GDP, the figure indicated in last year's MTFS. This represents a further decline in the ratio of public sector debt to money GDP and contrasts with a rising trend in debt/income ratios in most other major countries. The PSBR projections summarised in the accompanying table repeat those given in last year's MTFS and show a further small reduction as a proportion of GDP to 1½ per cent in 1987-88 and 1988-89. The figures after 1985-86 are illustrative, and decisions about the appropriate PSBR in particular years will be taken nearer the time.

For the period to 1987-88, the fiscal projections in the accompanying tables are based on the public expenditure plans shown in the Public Expenditure White Paper (Cmnd 9428), updated to take account of the changes described below. Output is assumed to grow by about 2½ per cent a year on average over the four years to 1988-89, made up of 2¾ per cent annual growth in the non-North Sea economy partially offset by a decline in North Sea oil output. The general rate of inflation, as measured by the GDP deflator, is put at about 4½ per cent in 1984-85; it is projected to fall to 3 per cent by 1988-89. It is assumed that there is no major change in the sterling exchange rate index from year to year. These assumptions imply growth of money GDP falling to 5 per cent by the end of the period, as shown in the accompanying table.

Public Expenditure:

Restraint in public spending is essential both to curb the encroachment of the state and to provide for reducing the burden of taxation within the overall financial framework. Lower taxation has an important part to play in improving motivation, efficiency and employment. The Government's objective is to hold public expenditure broadly level in real terms so that continuing economic growth allows further reductions.

Public expenditure prospects are discussed in detail in Part 5. They are summarised in the accompanying table. The figures for 1985-86 to 1987-88 are significantly higher than those underlying the Public Expenditure White Paper (Cmnd. 9428), for three reasons — they allow for estimating changes reflected in a higher reserve, for higher forecasts of debt interest, and for the employment and training measures announced in the Budget Speech. The new figures take account both of events since the White Paper, including the continuation of the coal strike until early March and the increase in interest rates, and of the estimated outturns in 1984-85. The planning total remains broadly level in real terms, and continues at approximately the 1984-85 level excluding the costs of the coal strike in that year. The same level is assumed for 1988-89. Over the period as a whole, general government expenditure falls slightly as a share of GDP from nearly 46 per cent in 1984-1985 to just over 41 per cent in 1988-89.

The accompanying table 2.2 also shows the relationship between the planning total and general government expenditure in national terms. The latter includes debt interest payments and a number of adjustments to reflect the translation to national accounts definitions. Details are given in Part 5, and changes since the 1984 MTFS are set out in the Annex to Part 2.

Revenue

The growth of government revenues in cash terms over the medium term will depend on the growth of incomes, spending and prices, as well as on policy decisions. Revenue is projected on the conventional assumption of constant tax rates and indexed allowances and thresholds at the proposed 1985-1986 levels. All changes proposed in the Budget are taken into account. No change is assumed in national insurance contribution rates beyond those proposed in the Budget.

On these assumptions, general government receipts are projected to rise slightly less than the growth in money GDP. Government revenue from the North Sea is projected to fall in both real and nominal terms after 1985-86 as North Sea output and real oil prices both fall, but this is more than offset by rising revenues from the growing non-North Sea economy.

Public sector borrowing

The projections of Government receipts and expenditure are brought together in the accompanying table to provide projections of the general Government borrowing requirement (GGBR) and the PSBR. The size of the fiscal adjustment depends on the estimates of revenues and expenditure. These are subject to major uncertainties about, for example, the tax yield for an assumed set of tax rates and the behaviour of oil prices; and, for the final year, the level of expenditure has yet to be agreed.

Changes in the fiscal projections since the 1984 MTFS are discussed in the Annex.

Conclusion

Events both at home and abroad may modify some of the assumptions on which the projections have been based. But the Government is committed to maintain the progress to lower inflation in the medium term secured by the steady decline in monetary growth which is at the heart of the MTFS, allowing interest rates to be adjusted in line with this objective. This will provide the essential macro-economic framework within which the Government will pursue its micro-economic policies designed to create the conditions for higher output and more jobs.

Annex:

The accompanying table 2.5 shows changes in the fiscal projections since the 1984 FSBR. Some classification changes have been made since the 1984 FSBR which affect the comparison of the 1984 and 1985 projections (see Part 5, paragraph 5.13). In order to make the comparison in the table helpful, differences due to those changes which affect expenditure and receipts by equal amounts have been removed from the figures (see footnote (1) to the table).

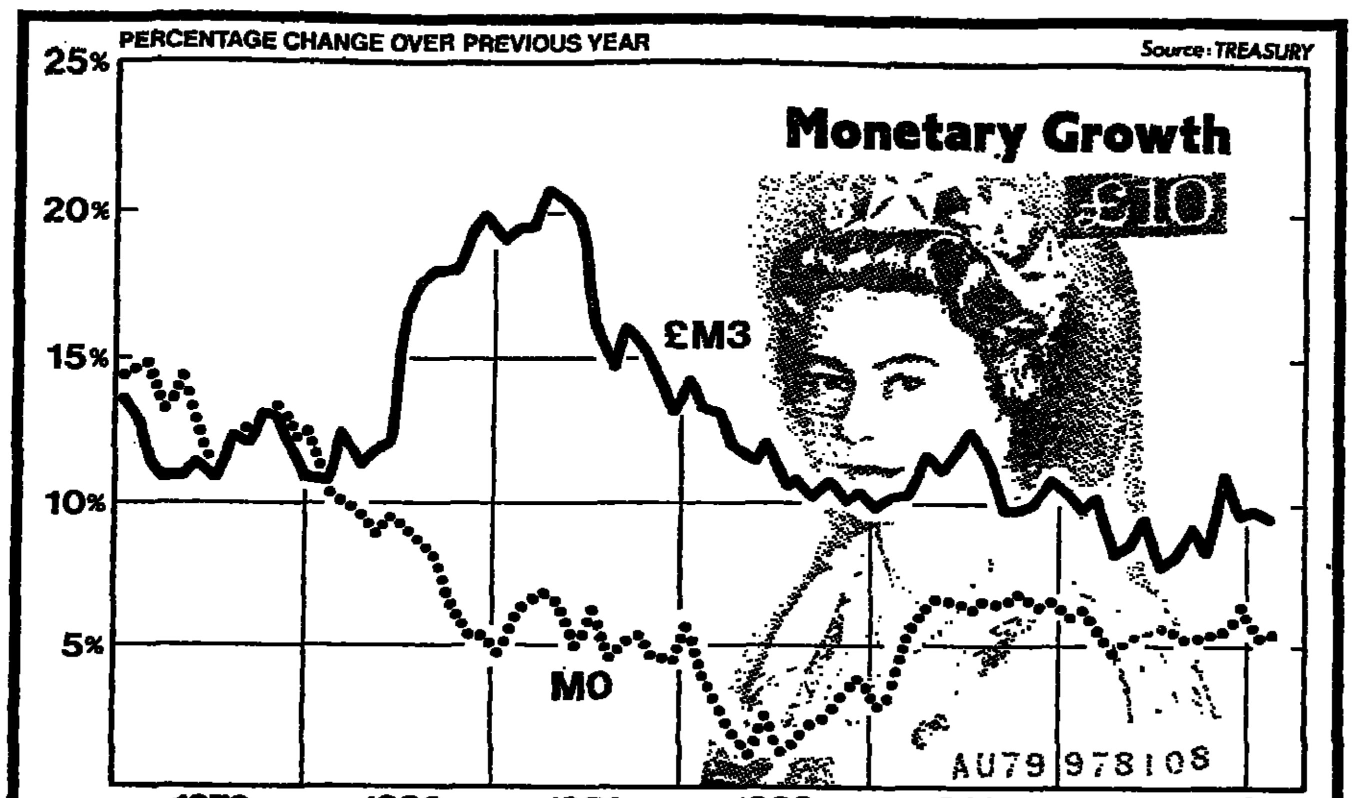
The level of nominal GDP in 1984-85 is estimated to be ½ per cent less than expected a year ago. The path of money GDP in the later years of the period is now assumed to be slightly higher than projected last year, reflecting higher assumed inflation in the early years. The PSBR is the same as last year from 1985-86 onwards, as a percentage of GDP.

The changes in the planning totals, in line one of the accompanying table are discussed in Part 5. The higher outturn in 1984-85 reflects mainly the costs of the coal strike, but also over-spending by local authorities. The increases in debt interest payments in line two largely reflect the higher starting level of interest rates compared with the 1984 MTFS projections, and partly the higher borrowing now estimated in 1984-85; there is a partially offsetting increase in interest receipts, included in line nine.

The increase in 1984-85 in public corporations' net market and overseas borrowing (line three)* is the result of the coal strike: the corporations were in fact net borrowers whereas last year's projections assumed they would be net repayers of such debt. (This change is taken into account in the estimated £2½bn cost of the strike to the PSBR.) In subsequent years, some change in the opposite direction is expected, compared with last year's assumptions.

On the receipts side, the increase in North Sea revenues in line six is a result of both higher sterling oil prices and higher oil production: these increases tail off sharply after 1985-86. Other taxes (line seven) are lower in the early years than in the 1984 MTFS projections: this partly reflects the effect of the Budget measures, and partly the carrying-through to later years of lower estimates for 1984-85 of corporation tax receipts and higher estimates of income tax repayments (including mortgage interest relief). After 1986-87, however, there is an increase in these revenues, principally as a result of the higher level of money incomes.

* Public corporations' market and overseas borrowing is included in the planning total and in the PSBR, but not in general government expenditure. Changes in it are therefore deducted in line three and added back in line 15.



Growth of money supply and money GDP*

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
M0†	5.7	5¼	3-7	2-6	1-5	0-4
£M3†	9.9	9½	5-9	4-8	3-7	2-6
Money GDP‡	7¾	6¾(8¼)	8¼(7)	6½	5¼	5

* The money GDP figure for 1985-86 is a forecast; and in subsequent years the figures are assumptions.
† 1983-84: percentage change during the year (mid-March to mid-March). 1984-85: percentage change from mid-February to mid-February.
‡ Percentage change on previous financial year. Figures in brackets for 1984-85 and 1985-86 are adjusted for the coal strike. Rounded to nearest ¼ per cent.

PUBLIC SECTOR BORROWING

£bn, cash

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
General government expenditure	140.1	149½	159½	164	169	173
General government receipts	130.0	140	150	159	168	175½
Fiscal adjustments from previous years*	—	—	—	—	3½	7
Annual fiscal adjustment*	—	—	—	3½	3	3
GGBR	10.1	9½	9½	8½	8	7½
Public corporations' market and overseas borrowing	−0.4	+1	−2½	−1	−1	—
PSBR	9.7	10½	7	7½	7	7½
as % of GDP	3.2	3¼	2	2	1¾	1½
Money GDP at market prices†	306	327	354	377	399	419

Constituent items may not sum to totals due to rounding.
* Means lower taxes or higher expenditure than assumed in lines 1 and 2.
† The assumed paths of prices and output are as follows:

	Percentage change on previous financial year 1984-85	1985-86	1986-87	1987-88	1988-89
Real GDP					
Non-North Sea	2	3¼	2¾	2½	2¼
Total	2½	3½	2	2	2
Inflation					
GDP deflator	4½	5	4½	3½	3

REVENUE AND EXPENDITURE: COMPARISON WITH THE 1984 PROJECTIONS

£bn, cash

	¶1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
Expenditure						
1. Planning total:						
Estimating changes	—	+3½	+2	+2	+2	+2
Budget measures	—	—	—	+½	+½	+½
2. Interest payments	+0.1	+1	+2½	+2½	+2½	+3
Other adjustments:						
3. Public corporations' market and overseas borrowing	−0.2	−1½	+1½	—	+½	—
4. Other*	+0.6	—	+½	+½	+1	+1
5. General government expenditure*	+0.7	+2½	+7	+5½	+6½	+6
Receipts						
6. North Sea tax†‡	−0.1	+2	+4	+2	+½	−1
7. Other taxes‡	+1.0	−1	−2	−1	+1	+1½
8. National Insurance & other contributions	−0.1	−½	—	—	—	—
9. Interest and other receipts*	−0.3	+½	+½	+1	+1	+1½
10. Accruals adjustment	+0.3	—	+½	—	—	—
11. General government receipts*	+0.9	+1	+3	+2	+2½	+3
12. General government expenditure less receipts	−0.2	+1½	+3½	+3½	+4	+3½
13. Implied cumulative fiscal adjustments§	—	—	−2	−3	−3	−3½
14. GGBR	−0.2	+1½	+1½	+½	+1	—
15. Public corporations' market and overseas borrowing	+0.2	+1½	−1½	—	−½	—
16. PSBR	—	+3½	—	+½	—	—

* Excluding classification changes which add the following amounts to both expenditure and receipts:

£bn

1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
0.6	0.6	0.6	0.7	0.7	0.8

† Before ACT set-off.
‡ The allocation of tax receipts between North Sea and other is affected by the treatment of advance corporation tax set-off.
§ Line (13) = (16) − (15) − (12).
¶ Comparisons in 1983-84 are with the PSBR on the definition used before 1984-85, ie including bank deposits etc.
Constituent items may not sum to totals due to rounding.

GENERAL GOVERNMENT RECEIPTS

£bn, cash

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
Taxes on incomes expenditure and capital	97.5	105	113½	120½	127½	133
National Insurance and other contributions	21.3	22½	24½	26	27½	29
Interest and other receipts	11.0	11	12	12½	13	13½
Accruals adjustment	+0.2	+1	—	−½	—	—
Total	130.0	140	150	159	168	175½
of which North Sea tax*	8.8	12	13½	11½	9½	8½

* Royalties, petroleum revenue tax (including advance payments), and corporation tax from North Sea oil and gas production (before advance corporation tax set-off). This does not correspond exactly to tax receipts in the same financial year in respect of North Sea production.
Constituent items may not sum to totals due to rounding.

GENERAL GOVERNMENT EXPENDITURE

£bn, cash

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
Public expenditure planning total	120.3	129½	134	139	144	148
Interest payments	14.9	16½	18	18	18½	19
Other adjustments	4.8	3½	7½	7	6½	6
General government expenditure in national accounts terms	140.1	149½	159½	164	169	173
of which special sales of assets	1.1	2	2½	2	2	2

Growth in GDP (continued from Page 16)

the most recent DTI intentions survey suggested an 8 per cent growth in investment by non-North Sea companies in 1985.

Including investment by the personal and public sectors, which may decline in 1985, total fixed investment is forecast to rise by about 2 per cent in 1985.

Company expenditure on stocks remained low in 1984 despite the rise in sales. The high level of real interest rates, and the reduction of stock relief in the 1980 Budget, followed by its complete abolition in the 1984 Budget, have raised the cost of holding stocks; both manufacturers' and distributors' stock output ratios continued to fall for most of 1984. Coal stocks have been run down over the past year. Recent surveys suggest that on balance companies still intend to reduce stock levels further relative to output, and the forecast allows for a continued run-down of stocks by manufacturers in 1985. In 1984 the level of manufacturers' stocks was some 50 per cent higher than that of distributors'.

Domestic demand is expected to rise through the forecast period. Even though world trade growth is expected to be less than in 1984, it should still be above the average growth recorded over the previous decade. The decline in sterling over the past year should help UK exports to show substantial growth between 1984 and 1985 following the improved performance seen towards the end of last year. The growth in imports in 1984 was inflated by the coal strike. A return of imports of fuel to more normal levels during the course of 1985 will bring down the growth in total imports of goods and services. The recovery of output following the end of the coal strike may raise GDP growth in 1985 by about ½ per cent; excluding this, the forecast of GDP growth in 1985 would be 2½ per cent.

The ratio of the output of manufacturing industry to total output has tended to fall since a peak reached in the late 1960s. Recent figures for manufacturing output have been subject to several upward revisions during the last year: latest figures suggest that over the current upswing taken as a whole manufacturing output has risen at much the same rate as total GDP. Manufacturing output is currently estimated to have risen by about 9 per cent between the first half of 1981 and the second half of 1984. Over the same period domestic demand for manufactures is estimated to have risen by over 20 per cent in real trms, and overseas demand for UK manufactures by about 12 per cent. During 1984, manufacturing output, relatively unaffected by the coal strike, rose faster than GDP. Manufacturing output is expected to continue growing over the next year at close to the underlying rate of growth of total GDP.

Productivity and the labour market

Estimates of the level of employment in recent years have recently been revised in the light of the results of the 1984 Labour Force Survey (LFS) and a correction to an earlier Survey. The new figures imply that in the period from mid 1981 to mid 1983 employment fell by more and productivity growth was higher than had previously been estimated. The new estimates for the period since mid 1983—which are based on changes between the 1983 and 1984 LFS—indicate stronger growth in the employed labour force than previously estimated. Over the year ending in the third quarter of 1984, total employment is now estimated to have risen by nearly 350,000, including almost a 250,000 increase in the self-employed. Employment in manufacturing industries stabilised during the second half of 1984, having fallen steadily since 1977. The figures for employees will be subject to further revision when the 1984 Census of Employment becomes available.

There has been much discussion about the extent to which productivity growth since 1980 represents an improvement in the underlying productivity of the UK economy, and the extent to which it reflects normal cyclical behaviour, combined with the effect of the pressures that industry experienced during 1980 and 1981. As expected, productivity growth has moderated as the upswing has progressed. But the recent revisions to employment data—as well as upward revisions to output—tend to support the view that there has been some improvement in underlying productivity growth, particularly in manufacturing. The accompanying table shows growth rates of output per head: with falling hours, especially outside manufacturing, output per man hour has risen faster.

Faster growth in productivity in the 1980s has partly been a response to faster growth in labour costs, both in real terms and in relation to other busines costs. This has slowed down the potential recovery in employment. Underlying productivity growth is expected to remain above the rate achieved between the two "oil shocks" of 1973 and 1979, but below that of the 1960s. This, together with the prospective growth in output, is consistent with continued growth in employment.

The figures for employment and unemployment taken together now imply growth in the working population of about 450,000 in the year to mid-1984. This is considerably larger than the growth in the labour force that would have been expected on the basis of demographic changes and suggests a significant rise in participation rates. This reflects in particular increased job opportunities for women and part-timers. Demographic factors are expected to lead to slower growth in the labour force over the next few years.

Forecast and outturn

The accompanying table compares the main elements of the forecast published in the 1984 FSBR with outturn or latest estimate.

The downward pressures on inflation in 1984 again proved strong: the forecast turned out very close to the mark, despite the fall in sterling during 1984, which had not been anticipated in last year's Budget forecast, and a higher level of mortgage interest rates than expected.

Despite the effects of the coal strike, growth in GDP was only slightly weaker than expected last year. World trade growth in 1984 is now estimated to have been twice as fast as expected this time last year. As a consequence UK exports of goods and services in 1984 were well above forecast. The latest estimates for GDP and the invisibles component of the current account are, however, liable to revision.

Risks and uncertainties

No forecast is complete without an indication of error margins. The accompanying table sets out the average errors from past forecasts, alongside the forecasts themselves. These average errors provide the best indication of possible errors in the current forecast: while the size of errors will change over time as the economy fluctuates, and as forecasting techniques change, in most cases the averages have not shifted very much since 1976. For the RPI, however, average errors are derived from a period of high inflation, averaging 12 per cent and subject to large fluctuations, and overstate likely errors at current rates of inflation. In 1983 and 1984 errors in budget forecasts — looking ahead to the end of the year — were respectively — 1 per cent and ½ per cent.

The forecasts of those items which represent the relatively small balance between large flows in either direction are particularly subject to error. For example, the flows on either side of the PSBR approach £200bn; and for the current account of the balance of payments exceed £100bn.

Offshore life assurance move

THE Inland Revenue explained after the Budget speech that to prevent a potential major loss of revenue, the Chancellor proposes to remedy a defect in last year's legislation on offshore life assurance.

The defect is that a UK resident could escape any tax charge on gains from an offshore policy by transferring its rights to non-resident trustees.

The Finance Bill provisions will prevent this, as regards offshore policies for insurances made after midnight last night and earlier offshore policies transferred after midnight to non-resident trustees.

Increases in duties

After the Chancellor's speech the Customs and Excise issued the following statement about duties:

Alcoholic drinks: Increases in duties on beer, spirits, wine, made-wine, cider and perry.

The new duty rates will represent additions (inclusive of VAT) to prices as follows: Beer: between 1p and 2p per pint for most beers depending on strength; Spirits: about 10p on a bottle of whisky; Table and made wine: about 10p on on a 70cl bottle; Fortified wine and made-wine: about 10p on a 75cl bottle of sherry or port; Sparkling wine and made wine: about 10p on a 75cl bottle; Cider and perry: about 1p on a pint.

These changes will apply to goods cleared from midnight tonight.

Revenue Effect. The estimated revenue yield from these changes (including the additional yield from VAT) is £175m in 1985/86 and £180m in a full year.

Public Notices. Details of the duty changes being made are given in Customs and Excise Notices BN 6/85 for beer, BN 285 for spirits, BN 3/85 for wine and made-wine and BN 5/85 for cider and perry.

Changes in Excise Duties on Road Fuel, Aviation Gasoline etc:

In his Budget Statement today the Chancellor announced changes in the rates of duty on hydrocarbon oils.

Duty increases. The duty increases will represent additions (inclusive of VAT) to retail prices as follows: (a) Light oils (mainly petrol), petrol substitutes and spirits used for power methylated spiirts: 4.1p a gallon (0.9p a litre). (b) Heavy oil used as road fuel (derv): 3.5p a gallon (under 0.8p a litre). (c) Aviation gasoline (AVGAS) and gas for use as road fuel: just over 2p a gallon (0.45p a litre).

Effective date. All changes will apply to fuel cleared from refinery or bonded warehouse from 18.00 hours today.

Revenue effect. The estimated revenue yield from the increases (including the additional yield from VAT) will be about £250m in 1985-86 and in a full year, of which about £200m will come from light oil etc and £50m from derv.

Duty on rebated oils. The rate of duty on fuel oil, gas oil and aviation turbine fuel (AVTUR) will remain at 0.77p a litre (3.5p a gallon or, for fuel oil, about £8 per tonne).

Public Notice. Details of the changes are given in Customs and Excise Notice BN 4/85.

TOBACCO PRODUCTS: Cigarettes: 6p per packet of 20; handrolling tobacco: 9p per 25 gram pack.

The rates of duty on pipe tobacco and cigars have not been increased.

The changes will apply to goods cleared from midnight, March 21-22.

Revenue effect. The estimated revenue yield from these changes (including the additional yield from VAT) is £170m in 1985-86 and £180m in a full year.

Overseas investors position clarified

The Chancellor proposes to the following statement after Mr Lawson sat down.

The Inland Revenue issued clarify the rules for exempting investment managers from tax liability when they are acting on behalf of non-residents. This relief is designed to remove the present uncertainty about the scope of the tax charge on investment managers, which has inhibited the ability of banks and other financial concerns to attract investment from non-residents to the UK. The Government published proposals to deal with this problem in a consultative document in December 1984. These proposals have been widely welcomed, and legislation to this effect will be included in the Finance Bill, to take effect for 1985-86 and subsequent years.

The present position

While a non-resident may be charged directly on profits etc arising in the UK, for practical reasons any charge is normally made on the non-resident's UK branch or agent, under Section 78 of the Taxes Management Act 1970. There are exemptions for certain agents. In most cases banks and other investment managers are not charged to tax on profits arising from funds placed by non-residents. But the effect of the rules is unclear. The rules have been criticised on the grounds that this uncertainty has made non-residents more reluctant to place funds in the UK and therefore has damaging effects on the attractiveness of the UK as a financial centre.

The proposed changes

The Finance Bill provisions will give effect to the proposals in the December 1984 consultative document, which have been widely welcomed. These proposals were that:

"Section 78 should not apply to brokers and other agents who regularly carry out transactions in the financial and commodity markets for non-residents in the ordinary course of their business of providing investment management services for clients generally and who are remunerated at not less than the customary rates for the business in question. This proposal will not affect the assessment of agents for non-residents where profits from such transactions (including interest) arise from a trade carried on in the UK through a branch or agency, other than the investment manager."

As explained in the December 1984 consultative document, this change is being made in advance of, and without prejudice to, consultation on the wider issue of the taxation of non-residents operating in the UK,

VAT registration limit being increased

A CUSTOMS and Excise statement gave details of changes in the limits for VAT registration and cancellation of registration, as announced by the Chancellor in his Budget statement.

Registration: The registration limit is being increased from £18,700 per annum to £19,500 pa from midnight. A single quarterly registration limit of £6,500 will also apply from the same time.

Cancellation of Registration: The limit will be increased from £17,700 pa to £18,500 pa (inclusive of VAT) from June 1 for persons considering cancellation of their registration on the basis of their expected future turnover.

Persons will also be able to apply for cancellation of their registration after June 1 if they have been registered for two years has not exceeded £19,500 and provided they do not expect their turnover to go above £19,500 in the year then beginning.

It is estimated that 32,500 persons will be eligible to request cancellation of their registration as a consequence of these changes.

Public Notice: Details of the changes in the registration and cancellation limits are contained in Customs and Excise Notice BN 1/85 copies of which will be available at al local VAT offices.

Extension to Press advertising: From May 1 the standard rate of VAT (currently 15 per cent) is to be extended to the publication of advertisements in newspapers, journals, and periodicals and associated services previously zero-rated for VAT.

Revenue effect: It is estimated that the change will increase revenue by about £30m in 1985-86 and £50m in a full year.

Public Notice: Details of the change are given in Customs and Excise Notice BN 8/85 available at all VAT offices.

Supplies by credit and charge card companies: From May 1 there will be a change in the VAT liability of transactions between credit, charge and similar payment card operators and outlets accepting the cards. The supplies, which are at present charged with VAT at the standard rate, will become exempt from the tax and the card companies will be unable to recover input tax in respect of them. The change will not affect the VAT which retail and other outlets charge to their own customers on supplies of goods and services.

Revenue effect: It is estimated that the card companies will be unable to recover up to £20m of VAT borne on their purchases of goods and services in a full year.

Public notice: Full details of the change is given in Customs and Excise Notice BN 9/85 copies of which will be available in all local VAT offices.

Implementation of Keith Report package: The Government proposes to legislate this year to implement the bulk of the proposals for VAT of the independent Keith Committee on Tax Enforcement Powers. Full details will be set out in the Finance Bill which will be published next month.

Revenue effects: It is estimated that these proposals will have the following revenue effects:

● Improved revenue flow of £50m in 1985/86 through more accurate and increased assessments on taxpayers who persistently fail to furnish VAT returns.

● A once-and-for-all increase in revenue flow amounting to £600m by 1988-89 through reduction in outstanding VAT arrears.

● Annual revenue from default surcharge, interest and penalties building to £150m over time.

Relief for certain temporary importations and re-importations: The Chancellor is introducing a relief from VAT payable at importation in respect of certain goods temporarily imported for repair, or for processing which does not change their identity. The Chancellor also proposed a measure of relief on goods reimported after temporary exportation for process or repair. Both reliefs will commence on June 1 1985.

Temporary importations: Under the new relief, taxable persons need not pay VAT at importation in respect of goods falling within the categories below and providing also that ownership is not transferred to the processor:

● Goods temporarily imported for repair or renovation and re-export with the same identity (ie goods restored to their original condition).

● Goods temporarily imported for modification or processing and re-export with the same identity (ie goods which retain their identity but which are processed beyond mere restoration to their original condition. The relief will not apply to materials for manufacture into other goods or for goods imported only for warehousing or minor handling such as repacking).

The relief available for temporary importations under Regulation 37 of the VAT (General) Regulations 1980 (as amended) is not affected by this change and will continue to apply to private importations and importations by traders who are not taxable persons.

Re-importations: Under this relief goods which have been temporarily exported and are re-imported after repair, process or adaption will bear VAT only on the value of the process or repair, plus freight and insurance if this is not already included. The goods must be re-imported by or on behalf of the original exporter, and property in the goods must not have been transferred. Existing reliefs under Regulation 41 of the VAT (General) Regulations 1980 (as amended for private importation and importation by traders who are not taxable persons will be subsumed in the new relief.

Customs and Excise will issue further details in due course and will provide guidance on entry procedures, security requirements and conditions.

Both reliefs will be contained in Regulations which will be laid before Parliament within the next few weeks.

Temporary importations: Under the existing arrangements most temporary imports, other than those covered by paragraph 11 of VAT Leaflet 702 1/84 (November 1 1984), are liable to a charge of VAT on importation into the UK which must be paid or deferred under approved arrangements at the time of importation. VAT registered importers may recover this tax on their next VAT return under the normal rules for input tax deduction.

The object of the relief is to provide some alleviation for processors of certain categories of temporary imports who are currently required to finance the imoprt VAT charge on the full open market value of the goods and may as a consequence suffer disproportionately.

Re-importation: Without this relief, VAT registered importers are required under Section 11 of the VAT Act 1983 to account for tax on the full value of importations. Non-taxable persons already enjoy relief under Regulation 41.

The relief will allow re-importations to be valued for VAT purposes as if the processes had taken place within the UK.

Bad debt relief

There is to be an extension the scope of VAT bad debt relief when the new classes of formal insolvency defined in the Insolvency Bill currently before Parliament come into operation.

Relief will be available in the following circumstances:

● Administratorships and administrative receiverships where the claimant obtains from the administrator or receiver a certificate that the assets available for distribution to unsecured creditors are insufficient to meet the expenses of winding-up the company; and

● voluntary schemes of arrangement made by individuals, and formal deeds made under the Deeds of Arrangement Act 1914.

Revenue Effect: It is estimated that these changes will result in an increased cost to the Exchequer of about £25m in a full year. This will be in addition to the cost of the present relief of about £50m a year.

Effective date: The changes will be brought into effect by Treasury Order at the same time as the relevant provisions of the Insolvency Act (probably early 1986, when a further Press announcement will be made).

Coverage: The Insolvency Bill provides new arrangements for administrators and receivers in England, Scotland and Wales. The extended VAT relief on voluntary schemes will apply to England and Wales but not to Scotland, where relief on bad debts is already available if a Trust Deed has been executed. The extended relief will not apply at all to Northern Ireland or the Isle of Man.

Public notices. VAT leaflet No 700/18/85 "Relief from VAT on bad debts," will be revised and re-issued in due course.

VAT relief on bad debts has been restricted since its introduction in 1978 to cases where the debtor is "formally insolvent." An individual is deemed for this purpose to be formally insolvent when he is adjudged bankrupt, and a company when it is the subject of compulsory or creditors' voluntary winding-up proceedings.

The Insolvency Bill proposes new procedures for voluntary arrangements made by individuals, for the administration of companies, and defines the powers and duties of receivers.

The effect of the Budget proposals is to extend the statutory definition of formal insolvency for VAT purposes to include these receiverships and administrations where the company has no assets available for distribution to the unsecured creditors, and also to new voluntary schemes and the existing, analogous, arrangements under the Deeds of Arrangements Act 1914.

The intention of the extended relief is to avoid making it necessary for creditors to petition for a bankruptcy or winding-up order where there are no assets for distribution solely to obtain VAT relief on bad debts.

Relief to computer equipment donated to hospitals: The existing VAT relief for medical and scientific equipment to include computer equipment is to be extended.

Group 16 of Schedule 5 to the VAT Act 1983 will be amended to include computer equipment. The relief will be governed by the conditions set out in Group 16. That is, to qualify for zero-rating the equipment must be solely for use in medical research, diagnosis or treatment: it must be bought using charitable or voluntary funds (unless supplied to a charity caring for the handicapped); and it must be donated or supplied to an "eligible" body—that is a health authority or board, or non-profit making hospital or research institution or a charitable institution providing care or medical treatment to the handicapped.

The relief is contained in the VAT (Charities etc) Order 1985 laid before Parliament yesterday and will take effect from May 1, 1985.

The London VAT Tribunal decided in the case of Clinical Computing Ltd in April 1983 (LON 82/265) that computers could not be regarded as medical or scientific equipment even when used in medical applications.

There has been pressure since then to widen the scope of the relief in Group 16 to include computers used in this way, and partial relief was given in December 1983 when services of computer software for use in medical research, diagnosis or treatment were relieved (SI 1983 No 1717). Following a review, the Chancellor has decided also to relieve computer equipment, on the grounds that it is increasingly being used directly in medical applications, a trend which is likely to continue.

Income tax Green Paper

THE INLAND Revenue issued the following statement on reform of personal taxation.

The Chancellor announced in his Budget speech that he will be publishing a consultative Green Paper later in the year on the reform of personal income tax.

The Green Paper will discuss a number of options for the income tax system, ranging from non-cumulation to closer integration between the tax and benefit systems. The Chancellor said that the computerisation of PAYE was now well under way so the time was right to review the changes to the system that could be made once computerisation was complete.

One particular possibility to be discussed in the Green Paper will be a restructuring of the personal allowances. The Chancellor said that there was a strong case for changing to a new system under which everybody, male or female, married or single, would have the same tax allowance. Where one partner in a married couple did not have enough income to make full use of his or her allowance, he or she would be able, if they wished, to transfer the unused allowance to the other.

Under the present structure of personal allowances, a married man gets an allowance which is about one and a half times the size of the single person's allowance. A married woman has an allowance equal to the single allowance which she can set only against her earned income.

Thus, couples where both partners are in paid employment get two and a half times the single person's allowance while married men whose wives work in the home get only one and a half single allowances. The incomes of a married couple are normally added together ("aggregated") for tax purposes.

It is the Government's aim to reduce the burden of tax as much as possible; but it is vital that the resources available are put to most effective use.

The extra allowances given to two-earner couples under the present system mean that allowances for other taxpayers are lower than they otherwise could be. The Government believe there is a case for changing to a system more suited to the economic and social needs of today.

The Chancellor sees advantages in moving to a structure which does not discriminate between different couples, and enables reductions in the tax burden to be targeted more effectively.

The Green Paper will set out for discussion a new structure under which everyone would have a single personal allowance of their own to set against their own income. Married people who could not use part or all of their allowance could transfer the unused portion to their partner. So, all taxpayers would have a single allowance; all married couples the equivalent of two allowances. The incomes of a married couple would no longer be added together for tax purposes.

This structure would have a number of important benefits.

● It gives the same allowances to all married couples, whether one or both partners are in paid work.

● It is better for incentives. In particular, it brings an increase in the tax threshold for the one-earner families who are the group most often affected by the poverty and unemployment traps.

● It gives married women the possibility of complete privacy and independence in their tax affairs.

● It is simple to understand.

If the new system were introduced, two-earner couples would have two single allowances, rather than their present two-and-a-half. But the Government's aim wou'd be to phase in the new system over a period of years so that these couples did not see a reduction in their total allowances. The effects would be as follows.

● The married man who was the sole earner would see a substantial increase in his tax threshold.

● Married couples who were both in paid work, and couples where the wife was the sole earner (who already get the same allowances as two-earner couples), would keep the same total allowances in cash terms.

● Single people would gain from the increase in allowances during the phasing-in period. This would help young people looking for their first job.

The Green Paper to be published later in the year will set out these proposals in more detail as a basis for public discussion. Legislation could then follow in 1987.

Alongside these preparations, the Inland Revenue would need to develop the facilities to operate the new system. The computerisation of PAYE is well under way and should be complete by the end of 1987 and the full range of facilities needed for fully transferable allowances, including the computerisation of Schedule D, could be in place by 1988. The new system could then operate from April 1990.

Composite rate scheme

Solicitors' client accounts to be excluded

The Inlend Revenue issued the following statement:—

The chancellor proposes in his Budget to exclude from the new composite rate tax scheme, which comes into operation on April 6, interest paid or credited to

solicitors' and estate agents' undesignated client accounts

Lloyds premiums trust funds.

The new composite rate scheme for bank and other deposit interest, which comes into operation on Aoril 6, applies, broadly, to interest paid by the deposit-taker to individuals, including partnerships of individuals.

Solicitors' and estate agents' undesignated client accounts

Under the Solicitors Act 1974 and the corresponding legislation for Scotland and Northern Ireland, there are statutory regulations governing the handling of clients' money by solicitors. There are similar regulations for estate agents under the Estate Agents Act 1979. The effect is that where the client's money is placed on bank deposit in a general undesignated client account, the firm is beneficially entitled to the interest on the account; but, subject to de minimis limits, it has to pay to the client an amount equivalent to the interest which he would have earned if his money had been placed in a separate (ie designated) client deposit account. On the basis of existing law the interest paid by the bank would from April 6 be subject to composite rate tax where, as in the case of solicitors and many estate agents, the firm was a partnership of individuals, regardless of the status of the clients whose money was held in the account. But the payments in lieu of interest which the firm was obliged to make to its clients would not be interest within the composite rate scheme.

The practical difficulties which would have resulted will be avoided by the new proposal to remove solicitors' and estate agents' general undesignated client accounts from the scope of the new composite rate scheme. The firm will, as in the past, be taxable in the normal way on the interest it retains, and the client will be taxable on the payments made to him by the firm in lieu of interest. The proposal will apply from April 6, 1985.

The same problems do not arise in other professions which do not have similar statutory regulations governing interest on client accounts. In general, it is the client who is beneficially entitled to interest on his money where it is held in a client account, whether designated or undesignated. The segregation of funds belonging to clients who are individuals ordinarily resident in the UK from those belonging to clients who have made a declaration that they are not ordinarily resident, or who are not individuals, will ensure that overseas and non-individual clients continue to receive interest outside composite rates.

Lloyds premiums trust funds

Premiums paid to Lloyds underwriting syndicates are required to be paid into premiums trust funds, where they are available to meet claims and liabilities. As the syndicates consist of individuals and are not in corporate form, any deposit interest paid or credited to the premiums trust funds is technically within the composite rate scheme. Because of the practical difficulties this would cause, these funds are to be excluded from the new composite rate scheme from April 6, 1985. The interest will remain liable to income tax in the normal way, as in the past.

Other changes already announced

Three other proposals have already been announced.

1—Local authorities will be brought into the scheme as deposit-takers with effect from April 6, 1986.

2—Interest paid to Scottish partnerships will be brought into the scheme on the same basis as partnerships elsewhere in the UK.

3—There will be further provisions governing the form and content of the declaration which a person not ordinarily resident in the UK has to make to the deposit-taker

Profits to be capital gains

THE INLAND Revenue issued the following statement on Commodity and Financial futures.

The Chancellor proposes that profits from transactions in futures which are not part of a trade should be charged as capital gains. Under the existing law these profits are treated as income and taxed under Case VI of Schedule D. Gains and losses from traded options in futures will also be brought within the capital gains tax rules unless the transactions are trading activities.

These changes will remove a tax disincentive to investing in futures and help the futures markets to meet the needs of users both in the UK and abroad.

Transactions in financial futures which are part of an existing financial trade or, for example, in commodity futures in connection with a manufacturing trade, will continue to be taxed under Case I or Schedule D.

The charge to capital gains tax will normally apply only to profits (or losses) on futures contracts which are closed out by matching transactions under the rules of the exchange on which the futures are dealt in. The tax treatment of futures contracts which run to delivery will in general continue to be determined under existing tax rules.

The change will take effect from April 6, 1985, and apply to transactions on any recognised futures exchange in the UK or overseas which is so designated by the Inland Revenue.

Covenants

THE Inland Revenue issued the following statement on tax relief on covenanted donations to charities.

The Chancellor proposes to increase, from £5,000 to £10,000, the maximum annual amount in respect of which an individual making covenanted payments to a charity is entitled to relief at the higher rates of tax. The change will take effect for 1985-86 and subsequent years, in respect of payments made after April 1, 1985.

Partnership taxation

Basis of assessment to be altered

The Inland Revenue issued the following statement:

The Chancellor proposes in his Budget to alter the basis of assessment which applies following a change in the membership of a partnership. In the income tax year in which the change takes place and the three following tax years the assessment will be on the actual profits arising in each of those years.

The new rules wil apply only where at least one person is a partner in both the old and new partnerships and an election to have the partnership treated as a continuing business could have, but has not, been made. The option of making a continuation election remains unchanged. The new rules will not apply to sole traders or practitioners or to newly set up partnership businesses.

The law is being amended following criticism by the Public Accounts Committee of the way in which, on a change in the members of a partnership, the firm is able to manipulate the present rules which apply when a business starts and ends in order to achieve substantial reductions in tax liabilities.

Under the present rules, which apply to all unincorporated businesses, a partnership which is treated as a new business following a change in the partners is assessed as follows:—

Year of change on the actual profits arising in the year from the date of the change.

Second year of assessment on the profits of the first 12 months of trading.

Third year of assessment and subsequent years on the normal previous year basis ie on the profits of the period of account ending in the previous tax year.

The taxpayer can choose to be assessed on the actual profits of the second and third years if this is to his benefit.

Where the new rules apply a partnership will be assessed for each of the first four years on the actual profits arising in that year and the previous year basis will then operate for the fifth and subsequent years of assessment. However in the fifth and sixth years the partnership will also have the option (similar to that now arising in the second and third years) of electing to be charged on the basis of the actual profits of each year.

The new basis will apply to the assessment of profits of partnerships following partnership changes occurring after Budget Day.

In his Budget the Chancellor proposes that the amount of a limited partner's share of the loss of a limited partnership should be restricted to the amount which he actually has at risk of the partnership. Only this amount will be available to be set against his other income.

The restriction will apply to both individual and company partners. It will apply not only to limited partners in limited partnerships registered under the Limited Partnership Act 1907 but also to persons participating in other joint venture arrangements where the liability is limited in a similar way by contract, agreement or guarantee or by the laws of other countries or states.

Any balance of a limited partner's share of the partnership's loss which cannot be relieved against other income because of this restriction may be carried forward and set against the limited partner's share of any future profits from the partnership.

The restriction will apply to losses of chargeable periods beginning after Budget Day. It will also apply to losses of periods straddling Budget Day where liabilities are limited after March 19.

Capital Transfer Tax

Threshold raised from £64,000 to £67,000

THE Inland Revenue issued the following details on capital transfer tax after Mr Lawson sat down.

The Chancellor proposes to raise the capital transfer tax threshold from £64,000 to £67,000, with similar indexed rises in the rate bands. He also proposes to widen the scope of the existing exemption from tax for amenity land around a building of outstanding heritage quality.

Threshold and Rate Bands

Each year the capital transfer tax threshold and rate bands are set to rise in line with inflation unless parliament decides otherwise. The statutory mechanism for this (now in Section 8 CTT Act 1984, formerly in Section 91 FA 1982) provides that the Treasury make the change by means of a Statutory Instrument which increases the existing tax bands each year in line with the Retail Prices Index (rounded up to the next £1,000).

Between December 1983 and December 1984 the Retail Prices Index increased by 4.580 per cent. The Treasury is making a Statutory Instrument setting out the resultant new rate bands. They will apply to transfers made on or after April 6 1985.

The rate bands are shown in the accompanying table.

The current and new rate bands are as follows:

Exemption for Amenity Land

Land which is essential for the protection of the character and amenities of a building of outstanding historic or architectural interest may be exempt from capital transfer tax if it adjoins (ie actually touches) the building, and if undertakings are given to preserve and maintain the land and to secure reasonable public access to it. The Chancellor proposes to remove the restriction that the land must adjoin the building if it is to qualify for relief; and to make consequential amendments to the rules about the giving of undertakings.

RATES OF CAPITAL TRANSFER TAX

Death rates* %	Lifetime rates† %	Range (£'000) to which tax rate applies: Current scale £'000	Indexed scale‡ £'000
Nil	Nil	0- 64	0- 67
30	15	64- 85	67- 89
35	17.5	85-116	89-122
40	20	116-148	122-155
45	22.5	148-185	155-194
50	25	185-232	194-243
55	27.5	232-285	243-299
60	30	Over 285	Over 299

‡ Applies to transfers made on or after April 6 1985.
* Applies to transfers made on or within three years of death.
† Lifetime rate bands assume donee bears the tax.

Easier tax-free sales for employee shareholders

AFTER the Chancellor had finished speaking, The Inland Revenue issued the following statement about approved profit sharing schemes:

The Chancellor proposes in his Budget to relax one of the conditions affecting employees who are allocated shares under an approved profit sharing scheme. At present an employee must wait for seven years before he can sell his shares without becoming liable to income tax: as a result of the proposed change he will have to wait only five years before the proceeds are free of tax.

The present position: Profit sharing schemes which satisfy certain conditions under the Finance Act 1978 can be given Revenue approval. An employee who is allocated shares under an approved scheme does not pay any income tax on their value provided he keeps them for at least seven years.

The proposed change: From the date of Royal Assent the period of seven years is to be reduced to five years. The relxation will extend to all share allocations so that existing and new scheme participants will benefit.

Disposal of shares before five years: There is to be no change in the arrangements for share disposals earlier than the new five year "release date." Shares will still have to be held in trust for an initial two year retention period; sales of shares thereafter will continue to attract income tax on a percentage of their value on the present basis, namely: Sale in year three or four—100 per cent of either the value of the shares when allocated *or* the proceeds of sale, whichever is *less*. Sale in year five—75 per cent as above.

North Sea revenue forecast to reach £13.5bn

AFTER the Chancellor's speech the Treasury issued the following statement on Government revenues from the North Sea.

The Financial Statement and Budget Report contains projections of Government revenues from North Sea oil and gas over the period to 1988-89. Revenues are projected to rise from just under £12bn (in current prices) in 1984-85 to a peak of about £13.5bn in 1985-86 and then to fall in the three subsequent financial years, to £8.5bn in 1988-89.

In 1985-86 revenues are expected to be about £1.5bn higher than was projected at the time of the Chancellor's Autumn statement last November and considerably higher than in the 1984 FSBR projections. Higher than expected sterling oil prices have been the most important factor causing this increase but oil production is also expected to be higher than previously assumed.

Revenue projections:

The accompanying table shows the latest projection of Government revenues from the North Sea in current prices for the period to 1988-89. It also compares them with those made at the time of the Autumn statement in November 1984 and of the 1982, 1983 and 1984 Budgets. The table herewith shows the constituents of total revenues in 1984-85 and 1985-86, as published in both this and last year's FSBR. This note describes the current projection of North Sea revenues and compares it with the two made last year and with earlier forecasts.

Total revenues from the North Sea consist of royalties, petroleum revenue tax (including advance payments) and corporation tax before advance corporation tax (ACT) set-off.

The corporation tax figures do not correspond exactly to the tax received in these financial years in respect of North Sea production. Receipts of corporation tax in any year include ACT on current dividends rather than the amount available to be set off from previous dividends. And since oil companies pay dividends related to the profits of their total operations, both onshore and offshore, the ACT associated with North Sea activities alone, cannot be identified.

The marked revisions now made to the Treasury projections illustrate the very wide margins of error to which such projections are subject. The main areas of uncertainty are the sterling oil price, oil production and tax deductible expenditures. The uncertainties increase the further into the future one looks. The uncertainty surrounding any projection of North Sea revenues is also illustrated by the wide range of North Sea revenue forecasts published by other forecasting bodies.

The main determinants of revenues from the North Sea are sterling oil prices, production and oil company North Sea expenditures. Revenues are projected to fall in both real and nominal terms after 1985-86 as North Sea output and real oil prices both fall.

The accompanying table sets out successive forecast ranges of total oil production as published by the Department of Energy in their Brown Book (Development of oil and gas resources of the United Kingdom), and compares them with recorded production for the years to 1984. The table also includes the latest forecast ranges.

The ranges make allowance for the considerable technological and geological uncertainties which influence the rate of production from both mature and recently discovered fields.

As the table shows, forecasts of future production have been subject to wide margins of error. Since 1982, production has turned out towards the top of the range expected at the beginning of the year, mainly reflecting higher than expected production in some large, mature fields. This may be contrasted with the period of rapid build up in North Sea production when there was a persistent tendency for production to turn out lower than projected.

The latest forecast ranges* for North Sea oil and natural gas liquids (NGL) production are somewhat higher than those in the 1984 Brown Book. This reflects the better-than-expected performance in 1984 and earlier years, together with new information from oil companies. For North Sea revenue projections it is assumed that the most likely outcome is at around the centre of the range, implying that production may peak this year.

The levels of current and capital spending (including exploration expenditure) are important determinants of the size of tax receipts because they are deductible, in part, for royalties and, in full, for petroleum revenue tax (PRT) and are allowed against corporation tax.

Capital expenditure rose somewhat in 1984 with substantial increases in expenditures in oil and gas fields under development and on future gas fields more than offsetting reduced expenditures on oil fields in production. Capital expenditure in total is projected to increase gradually during the next few years. In general the current forecast is similar to those made at this time last year.

Sensitivity of revenue projections:

The out-turn for North Sea revenues will be different from forecast if sterling oil prices, North Sea production or deductible expenditure are different from what is assumed, with production and price the likely main sources of forecast error.

Sterling oil prices may be different because of different world oil prices or a different sterling exchange rate. Since these may move in offsetting directions in their effects on revenues it is essential not to look at changes in either factor in isolation.

The effects of a change in oil prices on revenues will also depend on the extent to which they affect company expectations of future oil prices and hence company investment decisions. Ignoring any effects on company investment decisions, it is estimated that 1 per cent higher (lower) sterling oil prices in 1985 would raise (reduce) North Sea revenues by £150m in 1985-86 and by £180m in a full year. The full-year effect is greater than the first-year effect because the higher (lower) corporation tax will not be paid until 1986-87.

The effects on revenues of different North Sea production than assumed will depend crucially on where the change in production occurs since it depends on the tax position of the individual fields. Assuming that the higher (lower) production is spread evenly across fields, and ignoring possible second-round effects on company expenditures and the exchange rate, a 1 per cent higher (lower) oil production level in 1985 would raise (reduce) North Sea revenues by similar amounts to the effect of 1 per cent higher (lower) sterling oil prices.

Comparison with previous Government projections:

Government revenues from the North Sea in 1984-85 are now expected to be £12bn, or about £1.8bn more than was projected at this time last year and about the same as was expected at the time of last years' Autumn statement. Higher-than-expected sterling oil prices in 1984, due to a lower-than-expected exchange rate, account for four-fifths of the discrepancy compared with last year's FSBR projections.

Revenues in 1985-86 are now projected to be about £13.5bn compared with £9.5bn in last year's FSBR and £12bn in the Autumn statement. Higher-than-expected sterling oil prices explain more than four-fifths of the changes since the 1984 Budget and virtually all of the change since the Autumn statement.

Comparison with outside forecasts:

Interpretation of outside forecasts is complicated by the fact that some forecasts understate the contribution to government revenue from North Sea oil and gas production by giving estimates after ACT set off, with no compensating adjustment for ACT payments.

But in a sample of some recently published forecasts, estimates of revenues before ACT set off for 1985-86 ranged from £15.5bn to £11.5bn, compared to the FSBR projection of £13.5bn. Taking account of both the before and after ACT set off revenue projections in the sample, the FSBR estimate for 1985-86 is close to the average of the outside forecasts.

In 1986-87 the Treasury's projections are lower than the average. In general, other forecasters tend to assume higher sterling oil prices in 1986 than the Treasury. Differences in what is assumed about future production are small in both 1985 and 1986.

Given by the Minister of State for Energy in answer to a parliamentary question on March 13 1985. (Official Report, col 180).

OIL PRODUCTION FORECASTS*

m tonnes

Forecasts made in:	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
1977	40-45	60-70	80-95	90-110	100-120								
1978		55-65	80-95	90-110	100-120	105-125							
1979			70-80	85-105	95-115	115-140	115-140						
1980				80-85	85-105	90-120	95-130	95-135					
1981					80-95	85-110	85-115	90-120					
1982						90-105	90-115	95-125	95-130				
1983							95-115	95-125	95-125	85-120			
1984								110-130	110-130	100-125	85-115	80-115	
1985									120-135	110-130	95-125	85-120	80-115
Outturn	12.2	38.3	54.0	77.9	80.5	89.4	103.2	114.7	125.9				

* Including natural gas liquids and onshore production.

COMPOSITION OF NORTH SEA REVENUES

£bn, current prices

	Royalties	PRT	Corporation tax	Total
1984-85	2.4 (2.0)	7.2 (6.0)	2.4 (2.2)	12.0 (10.2)
1985-86	2.5	8.2	2.8	13.5

TOTAL NORTH SEA OIL AND GAS REVENUES

£bn, current prices

	FSBR 1982	FSBR 1983	FSBR 1984	Autumn statement 1984	FSBR 1985
1983-84	6	8	9	9	9
1984-85	8	8	10	12	12
1985-86	—	9½	9½	12	13½
1986-87	—	—	9½	—	11½
1987-88	—	—	9½	—	9½
1988-89	—	—	9	—	8½

Effect of oil taxation

No major changes in oil duties but some PRT relief restriction

OIL TAXATION

THE CHANCELLOR said the basic aim this year had been to preserve stability in the North Sea fiscal regime following the successful package of incentive measures in 1983 and last year's general reform of business tax.

No major changes are being made in oil taxation, though the Chancellor proposes a number of minor changes.

a—To prevent the immediate set off of onshore exploration and appraisal expenditure against PRT payable on existing fields.

b—In cases where exploration and appraisal operations involve actual oil production (eg, extended production tests), to restrict the immediate PRT relief for expenditure to the net cost after taking into account the value of any oil produced.

c—To remove anomalies affecting the duration of entitlement to PRT uplift and safeguard reliefs which could arise as a result of extended production tests carried out to appraise the producing characteristics of oil-bearing structures;

d—To make a technical amendment to the Oil Taxation Act 1983 to prevent a PRT tariff or disposal charge in respect of certain buildings and structures on land.

Details of proposed changes: PRT Treatment of Onshore Exploration and Appraisal (item a):

The Chancellor proposes that onshore exploration and appraisal expenditure incurred on or after yesterday should not be eligible for immediate set-off against PRT on other fields. This means that in future this immediate PRT relief (under Section 5A Oil Taxation Act 1975) will be confined to offshore exploration and appraisal expenditure.

Extended production tests (items b and c):

Extended production tests—i.e. tests companies carry out before taking a decision to develop a field in order to appraise the producing characteristics of a particular oil-bearing structure—are becoming increasingly common in the North Sea.

The present PRT treatment of such tests is anomalous, and fails to correspond to the cash flow reality for companies. The value of oil produced in the course of a test is not liable to PRT unless and until the relevant field is determined (usually just before the start of full-scale development).

But the gross amount of exploration and appraisal expenditure leading to a test has up to now been eligible for immediate PRT relief (under Section 5A Oil Taxation Act 1975). In the case of such exploration and appraisal expenditure incurred on or after yesterday, it is proposed that relief should be restricted to the net cost (if any) after taking into account the value of any oil produced.

Relief will continue to be available for the full amount of test expenditure when the field to which the exploration and appraisal expenditure relates is developed.

It is also proposed to remedy anomalies in PRT uplift and safeguard reliefs which could arise as a result of extended production tests. Uplift is a 35 per cent supplement given in respect of (broadly) capital expenditure incurred up to payback, i.e. when cumulative revenues exceed cumulative costs.

Safeguard limits the amount of PRT payable on profits for the chargeable periods up to payback and for half as long again. Where, exceptionally, payback occurs during an extended production test, this could anomalously restrict uplift and safeguard.

Conversely, safeguard could be anomalously prolonged by an early start during an extended production test. It is proposed to correct these anomalies.

Technical amendment to Oil Taxation Act 1983 (item d):

The provisions of the Oil Taxation Act 1983 are to be amended to prevent a charge to PRT arising on the tariff or disposal proceeds from certain onshore buildings and structures (for which acquisition costs are not allowable against PRT).

OTHER ISSUES

Incremental investment in existing fields:

The Chancellor announced in his 1984 Budget Speech that the tax position of additional investment in existing fields was to be reviewed.

The review has been carried out in consultation with the oil industry and with their co-operation, and included economic analysis of data for a wide range of actual incremental projects now being considered by companies.

The Chancellor has decided in the light of that analysis that there is not a convincing economic case for the introduction of special fiscal incentives for incremental investment at the present time.

Capital allowances for exploration and appraisal expenditure: Oil exploration and appraisal expenditure which qualifies under existing law for scientific research allowance will continue to do so subject to the modification being made to that allowance (see Press release on capital allowances, paragraph 2). The rate of the allowance is being kept at 100 per cent.

Mines and oil wells allowances: The Chancellor intends to issue his proposals in a consultative document to be published in the early summer with a view to legislation next year (see Press release on capital allowances, paragraph 6).

Youth Training Scheme

Wider job prospects for long-term unemployed

IT WAS announced today in the Budget Statement that Employment Secretary Tom King is to launch a major expansion in training for young people and in employment opportunities for long-term unemployed people.

The Youth Training Scheme will be extended from April 1986 to provide two years of work-related training for 16-year-old school-leavers and one year for 17-year-old school-leavers. Both employed and unemployed young people will be eligible. There will be transitional arrangements to allow as many of this year's 16-year-old leavers as possible to move on to their second year of training in 1986.

The main objective of the new scheme is to increase greatly the flow of qualified new entrants to the labour market each year and to increase the job prospects of young pople. The scheme will be a major step towards ensuring that all young people under 18 will be in full time education, a job, or receiving good-quality training, so that unemployment need no longer be an option for them. It will be developed so that it leads to recognised vocational qualifications.

The rate at which the scheme builds up will depend largely on the contributions which employers, trade unions and others concerned are prepared to make. The Secretary of State for Employment is asking the Manpower Services Commission to undertake consultations with them and report back to him with detailed proposals on funding, administration and content.

If the outacome of these consultations is satisfactory, the Government will provide an extra £125m in 1986-87 and £300m in 1987-88, on top of the planned expenditure on the existing YTS.

The Community Programme is being expanded by 100,000 places. It will then provide 230,000 places for long term unemployed people. Extra resources are being provided of £140m in 1985-86 and £460m in 1986-87.

Commenting on these expansions today, Mr King said:

"Today's announcements represent major developments of two of our most successful and effective employment and training measures. Together these schemes will be built up to provide over ¾m places for young people and for the long-term unemployed. The two-year Youth Training Scheme will both benefit young people and improve our competitive position by increasing the skills and adaptability of our labour force. Our goal is that unemployment need no longer be an option for anyone under 18. The expansion of the Community Programme provides a major increase in opportunities for long-term unemployed people to undertake temporary work of benefit to the community and at the same time increase their prospects of finding jobs at the end of their time on the scheme. Indeed surveys suggest that former Community Programme participants are two to three times more successful in getting a job than other long-term unemployed people."

The Youth Training Scheme was introduced in 1983 to provide young people with a chance to equip themselves better for working life.

Land tax

Results of planned abolition

It is proposed to abolish development land tax immediately.

The previus position: Development land tax was introduced in 1976 as a charge on development value, whether realised on the disposal of an interest in land or on the commencement of a project of material development. Latterly the tax was charged at 60 per cent, the first £75,000 of any development value realised in a financial year being exempt.

Liability on the start of a project of material development could be deferred in certain circumstances, for example, where the development was for the landowner's own use. Since the Finance Act 1984 any tax remaining deferred 12 years after that start would have been extinguished.

Relief from double taxation was provided when development land tax would otherwise have been additional to the liability for income tax, capital gains tax, or corporation tax. Those interaction provisions also applied where liability had been deferred.

Effect of the change: Development land tax is to be abolished for all chargeable transfers and events occurring on or after today. These include disposals of land (the date of the disposal being normally the time the contract is made) and any liability resulting from the start of a project of material development. Disposals made or projects started before today are not affected, and all arrears of the tax will remain collectible.

Higher education

Three-year grant of £43m to boost student intake

Over the next three years £43m will be made available to pay for more students in higher education to study engineering and technology, Sir Keith Joseph said.

He added that the programme marked a substantial response to requests from industry for increased output of engineering and technology graduates.

The programme is in addition to the Government's information technology initiative launched in 1982, which is adding 5,000 extra higher education places in IT-related subjects, and to the £14m engineering and technology programme in Scotland announced in November.

Discussions are going on with the University Grants Committee and others to decide which institutions should benefit from the programme. An announcement on allocation of extra places for the next academic year is expected soon.

In a written reply to a Parliamentary question, Sir Keith said that the Chancellor "has today announced that the Government is to mount a £43m programme over the next three years for the provision within higher education institutions of additional places in engineering and technology.

"The costs will be contained within existing expenditure programmes, with contributions from the Departments of Trade and Industry, Employment and Energy and from the Scottish and Welsh Offices, as well as from my Department's programme.

"I am discussing with the University Grants Committee and others which institutions should benefit from this programme, and I hope to be able to announce soon those institutions that will admit additional students during 1985-86. Further announcements about later years will follow.

"This programme marks a substantial response to requests from industry for an increased output of graduates in engineering and technology. Perceived industrial worth and cost-effectiveness will therefore be important criteria in determining the allocation of the programme between institutions.

"We shall be looking to industry to demonstrate the value it attaches to the programme by offering concrete support in various ways, along the lines proposed by the IT Skills Shortages Committee, and we shall be discussing further with employers' representatives how this can be assured.

"This programme is a substantial addition to the initiative I announced in December 1982 for a programme to provide some 5,000 additional places in IT-related subjects, and to the programme costing £14m over three years which the Secretary of State for Scotland announced in November 1984 to increase the output of engineers and technologists from the Scottish central institutions.

"The combined effect of these programmes will be to provide a substantial further stimulus to the output of engineers and technologists and hence to the economy."

Unfair dismissal

Qualifying period will be 2 years

THE DEPARTMENT of Employment published details, after the Budget speech, of changes in unfair dismissal law designed to remove deterrents to jobs.

The Chancellor of the Exchequer announced in his Budget statement that the Secretary of State for Employment will lay an order to increase the qualifying period for complaints of unfair dismissal to two years for all employees.

Under employment protection legislation all employees have to serve for a certain period with an employer before they qualify for the right to complain to an industrial tribunal that they have been unfairly dismissed.

At present the period is two years for those working for employers with 20 or fewer embployees and one year for employees of all other employers.

Mr Tom King, Employment Secretary, said yesterday: "The risk of unjustified involvement with tribunals in unfair dismissal cases and the cost of such involvement are often cited as deterring employers from giving more people jobs.

"The change, which now puts all new employees on the same basis as that already existing for those in small firms, should help reduce the reluctance of employers to take on more people, while still preserving a fair balance between the reasonable interests of emplyoer and employee.

"The new qualifying period will apply only to employees starting work with a new employer

Stamp duty

Charges on gifts and contract notes to be repealed

The Chancellor proposes in his Budget changes to simplify and modernise stamp duties. He proposes:—

(i) to repeal the 1 per cent duty on gifts;

(ii) to repeal the duty on contract notes;

(iii) to repeal many of the nominal fixed duties and to enable exemptions to be provided from those that remain;

(iv) to introduce exemptions from the 1 per cent duty for deeds of family arrangement and transfers of property on the break-up of a marriage;

(v) to introduce, as announced on July 27, 1984, an exemption for share exchanges on the occasion of a takeover;

(vi) to enable most conveyancing documents to by-pass the Stamp Office where no duty is payable; and

(vii) to simplify the law relating to cases where the amount on which duty is payable is expressed in a foreign currency.

The Chancellor hopes to continue the process of reforming the stamp duties in future years.

The details of duty on gifts are as follows:

1—Ad valorem duty is currently payable on any conveyance or transfer operating as a voluntary disposition inter vivos.

2—It is proposed that the duty on gifts should not apply to instruments executed on or after March 26 1985, and to instruments executed on or after March 19 which are stamped on or after March 26. Voluntary dispositions will become liable to the 50p fixed duty under the heading "Conveyance or Transfer of any other kind."

3—For the time being voluntary dispositions will still require an adjudication stamp. However, the Finance Bill will contain a provision to enable regulations to be made which will exempt voluntary dispositions from this requirement.

It is proposed to repeal the duty on contract notes. The repeal is to apply to notes issued on or after March 26 1985.

The duty is at present payable on notes sent by brokers and others to their clients advising them of the sale or purchase of shares and other marketable securities where the price paid is over £100. The rate of duty is currently 10p on deals of up to £500, 30p on deals between £500 and £1,500 and 60p on deals over £1,500.

The fixed duties that remain are being retained to enable the Stamp Office to scrutinise documents which may be liable to ad valorem duty.

The repeals apply to instruments executed on or after March 19 1985. Instruments that require stamping before March 26 will continue to attract the existing duty.

The Finance Bill will contain an enabling power under which the Board of Inland Revenue will be able to require that documents remaining liable to a fixed duty shall be certified in a form prescribed by the Board. The Bill will also contain an enabling provision under which the Treasury will be able to exempt specified documents from these duties.

Deeds of family arrangement: A document varying the disposition of property under a will among the beneficiaries is normally liable to ad valorem duty as a gift or to a fixed 50p duty. In a minority of cases the deed may constitute a sale in which case sale duty is payable.

Most deeds liable to ad valorem duty will be exempt from that duty following the repeal of the duty on voluntary dispositions. It is proposed to provide a specific exemption, broadly on the lines of that provided for capital transfer tax and capital gains tax, for those deeds liable to sale duty. In future all qualifying deeds of family arrangement and similar instruments will be liable only to a 50p duty. An adjudication stamp will also be required.

It is also proposed to provide a specific exemption from ad valorem duty for transfers of property in discharge of a general legacy of money which in some circumstances have been held to be liable to sale duty.

The new rules will apply to instruments executed on or after March 26 1985.

Transfer of property on the break-up of a marriage: A separation deed which conveys property, or the conveyance of property under an order of the divorce court, is normally liable to a fixed duty but may be liable to sale duty.

It is proposed to provide an exemption for those instruments liable to sale duty. In future such instruments will be liable only to a 50p duty. The exemption from ad valorem duty will apply to instruments executed on or after March 26 1985.

Relief for takeovers: It is proposed to provide an exemption from stamp duty for transfers of shares in a company which is being, or has been, taken over in exchange for shares or certain other securities issued by the acquiring company.

This exemption replaces an extra-statutory concession announced on July 27 1984 following advice that the House of Lords decisions in the Ramsay and Furniss cases apply to an arrangement (known as the "Pref-Trick") which avoided the payment of stamp duty on share exchanges and some other transactions.

The exemption will apply where a company issues qualifying securities in exchange for the shares (or convertible loan stock) of another company where the company issuing the securities:—

● will have control of that company in consequence of the exchange; or

● will have control in consequence of a general offer as a result of which the exchange is made; or

● already has control of the other company.

To qualify for exemption the securities issued by the acquiring company must be registered in the name of the person transferring the shares etc in the company taken over. Also, the terms of the general offer or other arrangement providing for the exchange must make no provision for partial or total conversion of the securities (including shares) directly or indirectly into money within three years of the exchange.

A company will be regarded as having control of another if it has power to control that company's affairs by virtue of holding shares in, or possessing voting power in relation to, that or another company.

For the purposes of the exemption a general offer means an offer made to all the members of the other company or any class of them other than persons connected with the company making the offer. The capital gains tax definition of connected person is to apply.

Where the consideration for the shares acquired consists of qualifying securities and other property duty will be payable on the value of the other property.

It is also proposed to provide a broadly similar exemption where the company being taken-over is the subsidiary of a company in voluntary liquidation. The exemption will be available where the acquiring company issues securities to the liquidator or members of the company being wound-up.

In contrast to the extra-statutory concession the proposed exemption:—

● covers cases where the acquiring company already has control and is taking in minority holdings;

● is not dependent on a general offer being made (gaining control by the exchange of shares is sufficient); and

● covers a takeover of a subsidiary of a company in voluntary liquidation.

The new exemptions will apply to instruments executed on or after March 26 and to instruments executed on or after March 19 and stamped on or after March 26. An adjudication stamp will be required on transfers entitled to the exemption; adjudication will not be required in other cases.

House sale formalities: The 1931 Finance Act requires purchasers to produce to the Stamp Office, whether or not duty is payable, the conveyancing document together with a form (the so-called Particulars Delivered form) which summarises the details of the transaction. The document is stamped with a "produced stamp" in addition to any ad valorem duty stamp. Without the produced stamp the document is not duly stamped. In England, Wales and Northern Ireland all conveyancing documents have to be submitted to the Stamp Office and also, in the case of land subject to the compulsory registration requirement, to the Land Registry.

It is proposed that in England and Wales the majority of conveyances of registered land where the sale price is below the stamp duty threshold (currently £30,000) should go direct to the Land Registry together with the Particulars Delivered form. The necessary enabling legislation will be contained in the Finance Bill. The change will speed up house purchase formalities for many buyers and will save work for conveyancers and the Revenue. The date from which the new arrangements will take effect will depend on detailed consultations, but it is hoped that this will be in January 1986.

FIXED DUTIES

It is proposed to repeal the fixed duties payable under the following heads of charge:—

Duty	Amount of duty
Agreement pursuant to the Highways Acts	5p
Appointment	50p
Covenant	50p
Deeds (not liable to other duties)	50p
Letter or Power of Attorney	50p
Procuration	50p
Revocation	50p
Warrant of Attorney	50p
and in Scotland	
Charter of Resignation	25p
Precept of Clare Constat	25p
Resignation	25p
Seisin and Notarial Instruments	25p
Writ	25p

National Insurance

Contributions for lower paid to be reduced

THE Department of Health and Social Security issued the following statement on National Insurance contribution changes after the Chancellor sat down.

Mr Norman Fowler, Social Services Secretary, gave further details of the changes in National Insurance contributions announced in the Budget.

The changes take effect from October 6, 1985. The major change is the introduction of a graduated scale of contributions which will mean that people on low earnings and their employers will pay lower Class 1 contributions. The rate of contributions will be determined by the level of earnings. Contributions will then be paid at the same rate on all earnings.

● For people earning between £35.50 and £55 a week, both employees and employers will pay 5 per cent on all earnings compared with the full rates of 9 per cent and 10.45 per cent:

● for those earning between £55 and £90 a wek the rate for both employees and employers will be 7 per cent on all earnings;

● for people earning between £90 and £130 a week, the rate for both employees and employers will be 9 per cent on all earnings;

● for people earning over £130 a week, the rate for employees will be 9 per cent on all earnings up to the upper earnings limit of £26 a week;

● for people earning over £130 a week, the rate for employers will be 10.45 per cent on all earnings. There will be no upper earnings limit for these contributions.

The contracting-out rebate will continue to apply to these contributions on the present basis.

The other main points are:

● for people who are self-employed, the Class 2 rate of contribution will be reduced by over a quarter, from £4.75 to £3.50 a week. There will be comparable reductions in the voluntary Class 3 contributions:

● the changes are not intended to affect benefit rights, even though lower contributions may be paid. New rules will be introduced to protect these rights.

Commenting on these changes, Mr Fowler said: "I have been examining the structure of national insurance contributions as part of my review of social security. These changes are consistent with that approach. By lowering the cost of employment and increasing the take-home pay of those in low paid work they will help meet our objectives of creating more jobs and improving incentives.

"The new graduated scale of lower contributions for those with earnings below £90 a week will mean higher take-home pay, with an increase of up to £2 a week, for over 3m single people and families. One million families with children will be better off, including a clear majority of all families now receiving Family Income Supplement. There will also be a useful improvement in incentives.

"Because the system of lower, graduated contributions also applies to employers there will be a substantial reduction in the net cost to employers of taking on low-paid workers and therefore a significant expansion in job opportunities. The costs of employing young people under 21 will generally be cut by £1.50 to £3.00 a week.

"Although contributions on low earnings will be reduced I shall be introducing new rules to protect existing benefit rights.

"These are the most important changes in the structure of national insurance contributions since the introduction of fully earnings related contributions in the 1970's. They are designed in particular to make it fairer for the low paid who will now get a better deal than ever before. They are also further evidence of the Government's determination to help employers create real jobs, and to help those who are self-employed.

"As I want these advantages to be realised quickly, I propose to make the necessary changes in the law by introducing amendments at Report Stage of the Social Security Bill, now before parliament. The changes will then come into force on October 6 of this year."

Further details of the changes are as follows:

Employee and Employers

The new system of graduated Class 1 contributions is set out in the accompanying table. There will be no changes in the lower and upper earnings limits for employees' contributions which will be £35.50 and £265 respectively from April, 1985. To help offset the costs of the changes, however, the upper earnings limit for employers' contributions will be abolished. But employers as a whole will pay £80m less in a full year.

The contracted-out abatements will remain at 4.1 per cent for the employer and 2.15 per cent for the employee on earnings between the lower and upper earnings limits.

Married Women and Widows

The reduced Class 1 contribution rate payable by certain married women and widows (3.85 per cent) will continue as at present.

The Self-Employed

The Government wishes to encourage self-employment and the Class 2 contribution will go down to £3.50 per week. There will be no change to Class 4 contribution rates and limits.

Class 3 (Voluntary) Contributions

The Class 3 contribution will continue to be set at 10p below the Class 2 rate. The new rate will be £3.40 per week.

Employees and Employers Cost

These proposals will result in a net cost for the National Insurance Fund of a little under £200m in 1985-86. This falls well within the current estimate of the fund's excess of income over expenditure.

THE EFFECT OF PROPOSED CHANGES ON INDIVIDUAL LIABILITY

Employed Earners Weekly Earnings	Employee Amount £	Employee Change £	Employers Amount £	Employers Change £	Total Amount £	Total Change £
Not Contracted-out						
£35.50	1.77	−1.42	1.77	−1.94	3.54	−3.36
£50.00	2.50	−2.00	2.50	−2.72	5.00	−4.72
£80.00	5.60	−1.60	5.60	−2.76	11.20	−4.36
£90.00	8.10	Nil	8.10	−1.30	16.20	−1.30
£130.00	11.70	Nil	13.58	Nil	25.28	Nil
£265.00	23.85	Nil	27.69	Nil	51.54	Nil
£300.00	23.85	Nil	31.35	+3.66	55.20	+3.66
Contracted-out						
£35.50	1.77	−1.42	1.77	−1.94	3.54	−3.36
£50.00	2.18	−2.00	1.90	−2.73	4.08	−4.73
£80.00	4.64	−1.60	3.77	−2.77	8.41	−4.37
£90.00	6.92	Nil	5.86	−1.31	12.78	−1.31
£130.00	9.66	Nil	9.71	Nil	19.37	Nil
£265.00	18.91	Nil	18.28	Nil	37.19	Nil
£300.00	18.91	Nil	21.94	+3.66	40.85	+3.66

CHANGES IN CONTRIBUTION RATES PROPOSED FROM OCTOBER 6, 1985

	APRIL 1985	CHANGE	OCTOBER 1985
Class 1 rates			
Employed earner's rate	9.00%		
Not contracted-out	9.00% to LEL	—	
Contracted-out	6.85% between LEL & UEL	—	
Reduced rate	3.85%	—	3.85%
Employer's rate	10.45%		
Not contracted-out	10.45% to LEL	—	
Contracted-out	6.35% between LEL & UEL	—	
Class 1 limits			
Lower earnings limit (LEL)	£35.50 employee & employer	—	£35.50 employee & employer
Upper earnings limit (UEL)	£265.00 employee & employer	—	£265.00 employee ONLY
Class 2 rate	£4.75	£1.25	£3.50
Small earnings exception			
Limit of net earnings exception from Clas 2 liability	£1,925.00 a year	—	£1,925.00 a year
Class 3 rate	£4.65	£1.25	£3.40
Class 4 rate	6.30%		6.30%
Class 4 limits		—	
Lower limit of profits or gains	£4,150.00 a year	—	£4,150.00 a year
Upper limit of profits or gains	£13,780.00 a year	—	£13,780.00 a year

Self employed to have 50% tax relief

THE Inland Revenue issued the following post-Budget statement on National Insurance contributions. The Chancellor proposes to allow tax relief on 50 per cent of the Class 4 National Insurance contributions paid by the self-employed.

At present, the self-employed receive no tax relief on their National Insurance contributions because the expenditure does not qualify as a business expense.

The relief will be given as a deduction from total income after the amount of any Class 4 contributions payable for any tax year has been determined.

The relief will first apply to Class 4 contributions payable on or after April 6 1985.

This change should be seen alongside the restructuring of the rates of National Insurance contributions which the Chancellor also announced. Both the employer's and the employee's share of the Class 1 National Insurance contributions are being reduced at lower levels of income.

The self-employed are getting comparable benefit in two ways. First, the flat-rate Class 2 contribution is being reduced at all levels of income. Second, they will be given tax relief for half their Class 4 contributions—broadly equivalent to the tax relief which employers, but not employees, already receive for their share of the Class 2 contribution.

The accompanying table shows the amount of Class 4 National Insurance contributions payable for 1985-86 by a self-employed person at various levels of profits and the reduction in income tax which will result from the proposed NIC relief. The reduction in tax (shown to the nearest £) is calculated for a married man on the assumption that his income consists entirely of self-employment income.

TAX RELIEF ON NATIONAL INSURANCE

Profits* £	Class 4 NI contribution for 1985-86 £	Reduction in income tax† £
4,000	—	—
5,000	53.55	8
6,000	116.55	17
8,000	242.55	36
10,000	368.55	55
12,000	494.55	74
14,000	606.69 (maximum)	91

* Generally those arising in the accounting period ending in 1984-85.
† Based on a tax rate of 30 per cent. For higher rate taxpayers the reduction will be greater, up to £182 (maximum) for those paying tax at 60 per cent.

Car tax raised to £100 but no change for most lorries

THE DEPARTMENT of Transport issued the following statement on vehicle excise duty.

In his Budget statement the Chancellor announced increases in vehicle excise duty averaging just over 10 per cent. VED for cars and light van will go up from £90 to £100, and there are proportional increases for motorcycles and buses. For cars registered before January 1, 1947 the VED rate will stay at this year's level of £60.

For some 150,000 of the heavier rigid lorries there will be VED increases ranging from £30 to £860 (7 per cent to 29 per cent). But for the majority of lorries there will be no increase in this year's rates; this applies to articulated vehicles as well as small rigid goods vehicles.

The effect of the Chancellor's proposals on lorries is to bring the total of motoring taxation for the heavier rigids more closely into line with that for other vehicles which are comparable in terms of the damage they do to the roads. For the first time, every class of lorry will cover its road track costs.

In addition the VED rates for farmers' goods vehicles are increased by varying amounts. This follows public consultation at the end of last year, and is the first step towards bringing these concessionary rates into lines with the proportion of average mileage which farmers' vehicles do.

There are also some changes in showmen's concessionary rates, which are aimed at establishing a standard 75 per cent concesssion. The vehicles concerned spend little time on the road.

Specimen rates of duty are set out in the accompanying table. The duty changes will come into effect for licences taken out after March 19, 1985.

Commenting on these changes, Mr Nicholas Ridley, Transport Secretary, said: "The rates which the Chancellor has introduced this afternoon represent a further step in matching the pattern of taxation for lorries to the pattern of their costs, and for the first time, every class of lorry will pay its way.

"I recognise that this means steep increases for some lorries which have hitherto underpaid; but if the right structure is to be achieved in a reasonable timescale this is an unavoidable step.

"For 1985-86, it is estimated that the total revenue from lorries in fuel duty and VED will exceed their track costs by £260m. However, the general VED rates for the smaller lorries and for articulated vehicles have been frozen at this year's levels, which means that the VED package will provide many operators with some small relief from increased costs."

EXAMPLES OF CHANGES IN THE ANNUAL RATES OF VEHICLE EXCISE DUTY

	Present £	Proposed £	Percentage change %
Cars and goods vehicles up to 1,525 kg unladen	90	100	11.1
6-monthly license for the vehicles above	49.50	55	11.1
Motor cycles, up to 150cc	9	10	11.1
150cc-250cc	18	20	11.1
Over 250cc	36	40	11.1
Taxi	45	50	11.1
Coach, 53 seats	74.70	83	11.1
Bus, 72 seats	91.80	102	11.1
Agricultural machines, mobile cranes etc	15	16	6.7
Showmen's haulage vehicles up to 7¼ tons unladen	144	151	4.9
Haulage vehicles 7¼ to 8 tons	710	743	4.6
Goods vehicles: up to 7.5 tonnes	130	130	—
up to 12 tonnes	290	290	—
Heavy goods: 2 axle rigid: 12 to 13 tonnes	410	410	—
15 to 17 tonnes	850	1,030	21.2
3 axle rigid: 23 to 25 tonnes	1,350	1,610	19.3
4 axle rigid: 30 to 30.49 tonnes	2,100	2,420	15.2
Heavy goods: 3 axle artic. 23 to 25 tonnes	1,150	1,150	—
4 axle artic. 31 to 32.52 tonnes	2,450	2,450	—
2 axle tractor + 3 axle trailer 31 to 32.52 tonnes	1,680	1,680	—
36 to 38 tonnes	3,100	3,100	—
3 axle tractor + 2 axle trailer 36 to 38 tonnes	2,730	2,730	—
Heavy goods: 3 axle tractor + 3 axle trailer 36 to 38 tonnes	1,240	1,240	—

* Two tax bands have been amalgamated into a single band of two tonnes.
† The most common vehicle in a new two tonne tax band.

Company car benefit in kind proposal

THE Inland Revenue issued the following post-Budget statement:

The Chancellor proposes in his Budget that the amounts taxable as benefits in kind where a company car provided for a director or "higher-paid" employee is available for private use shall be increased for 1986-87 by approximately 10 per cent overall. Similar increases are proposed in the scales relating to fuel provided for private motoring in such cars.

The taxable cash equivalents of company cars and fuel used for private motoring are contained in the Finance Act 1976 and may be varied by Treasury Order. It is proposed that orders increasing all the scales will be laid before parliament in the summer. The detailed figures of the car and car fuel benefit scales proposed for 1986-87 (1985-86 in brackets) are in the accompanying table.

The proposed changes will affect the liability to tax of directors and those employees earning at a rate of £8,500 a year or more, who by reason of their employment are provided with cars which are available for private use.

The scales give the amounts of the "cash equivalents" of the benefits, the amounts by which an individual's taxable income is increased. In terms o ftax the average company motorist driving a 1600cc car wil pay about £3.32 a week in tax for his car (double that if he gets petrol too) compared with £3.03 in 1985-86.

Both the car and car fuel scales are halved for the tool of the trade motorist who does 18,000 business miles or more in the tax year. The car scale (but not the fuel scale) is increased by 50 per cent if the car is a second company car or is driven for less than 2,500 business miles in the tax year.

The car scales (which were introduced in 1977-78) are reduced pound for pound for contributions which the employee is required to make for his private use. The car fuel scale is reduced to £Nil if the employee makes god all the fuel he uses for private journeys ("all or nothing"). Journeys betwen an individual's home and his normal place of work are regarded as private motoring.

Tax on car and car fuel benefits is mainly colected through employee's codes

CAR FUEL BENEFIT:
—Cars not having a recognised cylinder Capacity

Original market value of car	Cash equivalent
Less than £6,000 (£5,500)	450 (410)
£6,000 (£5,500) or more but less than £8,500 (£7,700)	575 (525)
£8,500 (£7,700) or more	900 (825)

CAR FUEL BENEFIT:—
Cars with a recognised cylinder Capacity

Cylinder capacity of car in cubic centimetres	Cash Equivalent
Up to 1300cc	450 (410)
1301cc-1800cc	575 (525)
More than 1800cc	900 (825)

CAR BENEFIT: CARS WITH ORIGINAL MARKET VALUE UP TO £19,250 (£17,500) HAVING A CYLINDER CAPACITY

Cylinder capacity of car in cubic centimetres	Age of car at end of relevant year of assessment: Under 4 Yrs	4 Yrs or more
Up to 1300cc	450 (410)	300 (275)
1301cc-1800cc	575 (525)	380 (350)
More than 1800cc	900 (825)	600 (550)

CAR BENEFIT: CARS WITH ORIGINAL MARKET VALUE MORE THAN £19,250 (£17,500)

Original market value of car	Age of car at end of relevant year of assessment: Under 4 Yrs	4 Yrs or more
More than £19,250 (£17,500) but not more than £29,000 (£26,500)	1,320 (1,200)	875 (800)
More than £29,000 (£26,500)	2,100 (1,900)	1,400 (1,270)

Capital Gains tax

Indexation provisions to be reformed and simplified

THE INLAND Revenue issued the following statement after the Chancellor sat down:

The Chancellor proposes to make three changes to reform and simplify the operation of the Capital Gains Tax indexation provisions. In outline these proposals are:

To apply indexation from the date on which an asset is acquired or March 1982, if later. At present, indexation begins to run after a 12 month waiting period. This proposal will simplify both the indexation calculation and the complex identification rules which presently apply to shares and certain other assets.

To apply indexation to losses. At present the indexation allowance does not apply to an asset on which a loss has been made, nor can it turn a gain into a loss. Both will now be possible.

This proposal will be a further simplification of the present provisions. And together with the abolition of the 12-month waiting period will enable a form of pooling to be restored for shares acquired after April 5 1982.

In order that the indexation provisions should apply more equitably to assets acquired before April 1982, the Chancellor proposes that, where it is more favourable for the taxpayer, the indexation allowance will be calculated by reference to the market value of an asset at March 31 1982. At present, the allowance is based on the actual expenditure incurred on acquiring an asset and enhancing its value.

This proposal will be of particular benefit to long-term investors and those who, for example, have built up family companies over a considerable period.

Present indexation provisions:

When a person realises a gain on the disposal of an asset, an indexation allowance may be deducted to arrive at the amount of the chargeable gain. This allowance is calculated by reference to the expenditure incurred on acquiring the asset and enhancing its value, and the increase in the RPI from March 1982 or, if later, 12 months after the month in which the expenditure was incurred. The indexation allowance does not apply to losses, nor can it turn a gain into a loss.

When these provisions were introduced in 1982, the system of share pooling had to be discontinued and new identification rules introduced for acquisitions after April 5 1982. A share pool applied to shares of the same class in a company, treating them as a single asset growing or diminishing as additions or disposals were made; since disposals did not need to be matched with particular acquisitions, this system resulted in simpler CGT calculations.

The Chancellor today announced three proposals to increase the amount of the indexation allowance and to simplify the calculations.

Removal of the 12 month rule:

The indexation allowance is now to apply to expenditure on acquiring an asset and enhancing its value from the time that expenditure was incurred, or March 1982 if later. The asset will not now have to be owned for a minimum period of 12 months before it qualifies for the indexation allowance.

Thus, an asset which was purchased in June 1982 and disposed of in May 1985 will qualify for the indexation allowance by reference to the increase in the RPI from June 1982 (and not June 1983 as under the present rules) to May 1985. Similarly, an asset which was purchased in August 1981 and disposed of in May 1985, will qualify for the indexation allowance by reference to the increase in the RPI from March 1982 (the beginning of the indexation relief) and not August 1982 as under the present rules.

For certain securities however the 12 month rule will remain in force until February 28 1986, when the provisions against bondwashing come into effect. These securities include fixed and variable rate interest stocks and bonds including those issued in bearer form, whether UK or foreign, whether in sterling or any other currency, and whether issued by governments, companies, local authorities or other institutions; and whether secured or unsecured.

Indexation of losses:

The indexation allowance is now to apply to loss in the same way as it applies to gains. And it will now be possible for a gain to be turned into an allowable loss for CGT purposes.

Thus, if shares were purchased for £100 and sold for £50 and the RPI had risen by 10 per cent over the period of holding, the loss will be £60 (£110 minus £50) and not £50 (£100 minus £50) under the present rules. Similarly, if shares were purchased for £100 and sold for £105, and the RPI had risen by 10 per cent over the period of the holding, there would be a loss of £5 (£110 minus £105) and not a no gain/no loss position as provided under the present rules.

March 1982 values:

The third major change in the indexation provisions applies to assets which were acquired before April 6, 1982, by individuals and April 1, 1982, by companies. For such assets, the indexation allowance will now be calculated by reference to the market value at March 31, 1982, where this is greater than the original purchase price plus any subsequent expenditure incurred before that date on enhancing its value

This change will benefit long term investors by significantly increasing amount of indexation allowance which is due when they come to dispose of their assets. For example, a person who acquired shares which cost £500 in 1970 and had a market value of £2,000 at March 31, 1982, will be entitled to four times the indexation allowance which is available under the present provisions.

In addition to increasing the amount of indexation relief available, these changes will simplify the calculation of the indexation allowance and will enable significant improvements to be made to the identification rules applying to shares (and certain other assets) in the Finance Act 1982. It will be possible, for example, to restore a form of share "pooling" for assets acquired after April 5, 1982 (March 31, 1982 for companies) which will be of benefit both to taxpayers and their professional advisers.

It is proposed to apply the new indexation provisions to disposals made on or after April 6, 1985, in the case of individuals and April 1, 1985, in the case of companies. The removal of the 12 month rule for certain securities will not however come into effect until February 28, 1986.

Other proposals are:

An increase in the exempt threshold in line with the Retail Prices Index. For 1985-86 an individual will be exempt on the first £5,900 and most trusts on the first £2,950, of gains;

A number of improvements are proposed to the CGT relief which is due when a business is transferred on retirement. These include a lowering of the age at which the maximum relief is available and an extension of the relief to those who retire early for reasons of ill-health;

Amendments are proposed to the rules which apply to the disposal of assets in a series of transactions to connected persons.

Annual Exempt Amount

At present, an individual whose total net gains in a year of assessment do not exceed £5,600 is not liable to capital gains tax. This exemption is also available to the trustees of a settlement for a mentally disabled person or for a person in receipt of attendance allowance, and to personal representatives for gains accruing to them in the year of death and the two following years of assessment. For trustees of other settlements the exempt amount is £2,800.

Following the statutory indexation provisions introduced in 1982, it is proposed for 1985/86 to increase these amounts to £5,900 and £2,950 respectively. These increases follow the increase in the general index of retail prices between December 1983 and December 1984 (4.6 per cent).

Retirement Relief:

The Chancellor proposes to make a number of improvements to the retirement relief. This relief exempts individuals from CGT on gains of up to £100,000 or the disposal of a business (or part of a business) or of shares or securities in a family trading company.

The proposed improvements take into account views expressed in the responses to the consultative document published in March last year. In particular, the Chancellor proposes:

● To lower the age at which the maximum relief of £100,000 is available from 65 to 60 (the Chancellor proposes that there should be no tapered relief for age).

● To extend the relief to individuals who are compelled to retire early for reasons of ill health.

The Chancellor also proposes to incorporate into the legislation the various extra-statutory concessions (and one Statement of Practice) which are at present associated with the relief.

Further information about the proposed improvements to this relief will be available when the Finance Bill is published.

Disposals to connected persons (Section 151, Capital Gains Tax Act 1979):

At present, where a person receives assets from two or more "connected persons," a CGT charge may arise on the transferors if the value of the assets which are transferred is greater when brought together than when considered separately. An example of this would be transfers of individual minority shareholdings in a company which together form a majority shareholding.

In such a case, although the transactions may be separated by a long period, an additional charge may arise on the transferors when the shares come together in the hands of one person.

The definition of "connected persons" covers spouses, close relatives and certain trustees and companies under that person's control.

In reply to a parliamentary question on December 20, the Financial Secretary to the Treasury indicated that he was aware of the unsatisfactory nature of the present law and was examining ways in which this could be resolved.

The Chancellor now proposes to amend these rules so that they apply when a person splits up an asset—or collection of assets—by two or more transfers to his relatives or another "connected person." In other words, the new rules will apply when assets are fragmented rather than, as at present, when assets are brought together. They will apply only where the transactions concerned take place within six years of each other.

The new provisions will apply to transactions after Budget Day. And following the Financial Secretary's statement on December 20, transactions occurring in the two-year period before Budget Day may form part of a series of transactions after that day if they would fall within both the existing and proposed new provisions.

The details of these, and of the other proposed changes, will be available when the Finance Bill is published.

Income tax reductions

Personal allowance system reform proposed

PERSONAL ALLOWANCES

	1984-85 level	Proposed increase		1985-86 proposed level
Single person's allowance	2,005	200	10.0	2,205
Married man's allowance (and wife's earned earned income relief)	3,155	300	9.5	3,455
Additional personal allowance and widow's bereavement allowance	1,150	100	8.7	1,250
Age allowance (single)	2,490	200	8.0	2,690
Age allowance (married)	3,955	300	7.6	4,255

RATES AND RATE BANDS

Tax	1984-85 taxable income	Proposed increase in starting point		1985-86 taxable income
%	£	£	%	£
30	0-15,400	—	—	0-16,200
40	15,401-18,200	800	5.2	16,201-19,200
45	18,201-23,100	1,000	5.5	19,201-24,400
50	23,101-30,600	1,300	5.6	24,401-32,300
55	30,601-38,100	1,700	5.6	32,301-40,200
60	over 38,100	2,100	5.5	over 40,200

WIFE'S EARNINGS ELECTION

The table provides a guide to when an election may be beneficial. If the combined income is the figure in column A, then the wife's eranings must normally be within the figures in column B to make an election worthwhile. The figures are shown before the deduction of reliefs.

1984-85 A Combined income £	1984-85 B Wife's earnings £	1985-86 A Combined income £	1985-86 B Wife's earnings £
23,794	6,389-17,405	25,361	6,956-18,405
25,000	5,785-19,215	30,000	5,956-24,044
30,000	4,880-25,120	35,000	5,331-29,669
35,000	4,880-30,120	40,000	4,956-35,044
40,000	4,535-35,465	at least 47,110	4,706 and above†
at least 44,410	4,306 and above*		

* Provided the husband's income is at least £4,305.

† Provided the husband's income is at least £4,706.

COSTS (£m)

	Total cost 1985-86	Total cost Full year	Cost above indexation 1985-86	Cost above indexation Full year
Personal allowances	1,500	1,870	730	910
Basic rate limit	50	80	0	0
Further higher rate thresholds	40	75	0	0
Totals	1,590	2,025	730	910

MARRIED COUPLES-HUSBAND AND WIFE BOTH WORKING—INCOME ALL EARNED

COMPARISON OF INCOME AFTER TAX AND NATIONAL INSURANCE CONTRIBUTIONS IN 1984-85 AND 1985-86, WHERE EARNINGS INCREASE BY 7 PER CENT (NIC—CONTRACTED IN)

Weekly income in 1984-85: Husband £	Wife £	Joint £	Charge in 1984-85: Income tax £	NIC £	Income taken in tax & NIC %	Adjusted weekly income in 1985-86: Husband £	Wife £	Joint £	Proposed change in 1985-86 (post Oct. 1985): Income tax £	NIC (post Oct. '85) £	Income taken in tax & NIC %	Change in income after tax & NIC %
80.00	40.00	120.00	6.23	10.80	14.2	85.60	42.80	128.40	5.87	8.13	10.9	11.1
	80.00	160.00	18.23	14.40	20.4		85.60	171.20	18.71	11.98	17.9	10.3
	120.00	200.00	30.23	18.00	24.1		128.40	214.00	31.55	17.55	22.9	8.7
	160.00	240.00	42.23	21.60	26.6		171.20	256.80	44.39	21.40	25.6	8.4
	200.00	280.00	54.23	25.20	28.4		214.00	299.60	57.23	25.25	27.5	8.3
120.00	40.00	160.00	18.23	14.40	20.4	128.40	42.80	171.20	18.71	13.70	18.9	9.0
	80.00	200.00	30.23	18.00	24.1		85.60	214.00	31.55	17.55	22.9	8.7
	120.00	240.00	42.34	21.60	26.6		128.40	256.80	44.39	23.11	26.3	7.5
	160.00	280.00	66.23	25.20	28.4		171.20	299.60	57.23	26.96	28.1	7.4
	200.00	320.00	66.13	28.80	29.7		214.00	342.40	70.07	30.82	29.5	7.4
160.00	40.00	200.00	30.23	18.00	24.1	171.20	42.80	214.00	31.55	17.55	22.9	8.7
	80.00	240.00	42.23	21.60	26.6		85.60	256.80	44.39	21.40	25.6	8.4
	120.00	280.00	54.23	25.20	28.4		128.40	299.60	57.23	26.96	28.1	7.4
	160.00	320.00	66.23	28.60	29.7		171.20	342.40	70.07	30.82	29.5	7.4
	200.00	360.00	78.23	32.40	30.7		214.00	385.20	82.91	34.67	30.5	7.3
200.00	40.00	240.00	42.23	21.60	26.6	214.00	42.80	256.80	44.39	21.40	25.6	8.4
	80.00	280.00	54.23	25.20	28.4		85.60	299.60	57.23	25.25	27.5	8.3
	120.00	320.00	66.23	28.80	29.7		128.40	342.40	70.07	30.82	29.5	7.4
	160.00	360.00	78.23	32.40	30.7		171.20	385.20	82.91	34.67	30.5	7.3
	200.00	400.00	90.69	36.00	31.7		214.00	428.00	96.51	38.52	31.5	7.2
300.00	40.00	340.00	72.23	26.10	28.9	321.00	42.80	363.80	76.49	25.99	28.2	8.1
	80.00	380.00	84.23	29.70	30.0		85.60	406.60	89.33	29.84	29.3	8.0
	120.00	420.00	98.69	33.30	31.4		128.40	449.40	105.07	35.41	31.3	7.3
	160.00	460.00	114.86*	36.90	33.8		171.20	492.20	122.22*	39.26	32.8	7.3
	200.00	500.00	126.86*	40.50	33.5		214.00	535.00	135.06*	43.11	33.3	7.3

Notes:
The adjusted incomes for 1985-86 are for illustration. They have been obtained by increasing the corresponding incomes in 1984-85 by 7 per cent.
National Insurance Contributions are at the standard Class I rate for employment not contracted out of the State additional (earnings related) pension scheme.
* Denotes wife's earnings election beneficial.

MARRIED COUPLE WITH TWO CHILDREN—INCOME ALL EARNED

NOVEMBER 1984 AND NOVEMBER 1985 INCOME TAX AND NATIONAL INSURANCE CONTRIBUTIONS (CONTRACTED-IN) WEEKLY FIGURES COMPARISON WITH 1984-85 (POST-NOVEMBER) WHERE EARNINGS INCREASE BY 7 PER CENT BETWEEN

Income £	1984-85 (Post November 1984): Income tax £	NIC £	Child benefit £	Net income £	1985-86 (Post November 1985): Adjusted income* £	Income tax £	NIC £	Child benefit £	Net income £	Change in net income %
50.00	0.00	4.50	13.70	59.20	53.50	0.00	2.67	14.50	65.33	10.4
65.00	1.30	5.85	13.70	71.55	69.55	0.93	4.87	14.50	78.25	9.4
75.00	4.30	6.75	13.70	77.65	80.25	4.14	5.62	14.50	84.99	9.5
85.00	7.30	7.65	13.70	83.75	90.95	7.35	8.18	14.50	89.92	7.4
100.00	11.80	9.00	13.70	92.90	107.00	12.17	9.63	14.50	99.70	7.3
120.00	17.80	10.80	13.70	105.10	128.40	18.59	11.56	14.50	112.75	7.3
140.00	23.80	12.60	13.70	117.30	149.80	25.01	13.48	14.50	125.81	7.3
160.00	29.80	14.40	13.70	129.50	171.20	31.43	15.41	14.50	138.86	7.2
180.00	35.80	16.20	13.70	141.70	192.60	37.85	17.33	14.50	151.92	7.2
200.00	41.80	18.00	13.70	153.90	214.00	44.27	19.26	14.50	164.97	7.2
250.00	56.80	22.50	13.70	184.40	267.50	60.32	23.85	14.50	197.83	7.3
300.00	71.80	22.50	13.70	219.40	321.00	76.37	23.85	14.50	235.28	7.2
350.00	86.80	22.50	13.70	254.40	374.50	92.42	23.85	14.50	272.73	7.2
400.00	106.12	22.50	13.70	285.08	428.00	113.47	23.85	14.50	305.18	7.1

* The adjusted incomes shown for November 1985 are for illustration. They have been obtained by increasing the corresponding incomes in November 1984 by 7 per cent.
Employees' National Insurance Contributions are at the standard Class 1 rate for employment not contracted out of the State additional (earnings-related) pension scheme.
Calculations assume that only the husband has earned income.
Child benefit and one-parent benefit are assumed to increase in November 1985 in line with the movement in the general index of retail prices (RPI) between May 1984 and May 1985. The illustrative assumption used in the table is an increase of 6 per cent in November 1985, in line with the curent forecast.

THE TREASURY issued the following statement.

The Chancellor announced that a Green Paper will be published later this year discussing a range of options for reform of personal income tax opened up by computerisation of PAYE, including a restructuring of the present system of personal allowances. In his speech, the Chancellor outlined a system of fully transferable allowances under which everyone would have the same standard tax allowance. A husband and wife who was unable to make full use of their allowance could transfer the unused portion to their partner. After an appropriate period of consultation, it would be possible to legislate in 1987 and have a system on these lines in place by April 1990. After the Chancellor sat down, the Inland Revenue published further details of the Government's proposals.

The Chancellor also announced increases in the main income tax allowances for 1985-86 which go well beyond those needed to compensate for inflation over the past year; and substantial reductions in National Insurance Contributions for the lower paid to come into effect from October 1985. Details of the NIC changes were issued by the Department of Health and Social Security.

The increases in income tax allowances will be worth £1.73 a week to a married man and £1.15 a week to a single person paying tax at the basic rate. The tax reductions—including any tax overpaid after April 6—should be reflected in pay packets on the first pay day after May 17. The increases in allowances mean that some 800,000 fewer people will pay income tax in 1985-86 than if the allowances had remained at the 1984-85 levels, and 375,000 fewer than if allowances had been increased only in line with inflation.

The married man's allowance will increase by £300 and the single allowance by £200. These are increases of respectively 9½ and 10 per cent and are more than twice the amounts required by the indexation provisions of the Finance Act 1980.

For married men paying tax at the basic rate, income tax payments in 1985-86 will be 87d per week lower than if the married man's allowance had only been indexed; the corresponding reduction for single people and earning wives is 58d per week. The additional personal allowance (mainly for single parents) ... widow's bereavement allowance—which are automatically equal to the difference between married and single allowances—increase by 8.7 per cent.

The age allowances are to be increased by the same cash amounts as the corresponding basic personal allowances. The thresholds and rate bands for the higher rates of tax are to be increased by the amounts required by the indexation provisions.

The Chancellor's proposals in detail are summarised in the tables herewith:

An increase from £8,100 to £8,800 (8.6 per cent) in the age allowance income limit.

The total revenue cost of these proposals will be some £1.6bn in 1985-86 and £2bn in a full year: that is some £730m in 1985-86 and £910m in a full year in excess of the cost of implementing only the statutory indexation requirement. Details are in the following table: the bulk of the cost is for the increase in personal allowances.

Increases in personal allowances and changes in bands of income chargeable

Tax offices wil be sending to employers instructions to increase codes ending in L, H, P and V by the appropriate amounts shown above, to give effect to the increases in the personal tax allwances. These increased codes will generally take effect on the first pay day after May 17. A revised coding notice is not issued to the taxpayer when a code is increased automatically by the employer in this way. Codes which do not end in L, H, P or V will, however, be reviewed and amended where necessary by the tax office. Details are given in paragraph 3 below.

New tax tables for the calculation of tax deductions will be issued covering the changes in the bands of income to which the rates of tax apply. These wil be supplied to employers for use after May 17.

Coding changes carried out by the tax office

Some people have PAYE codes beginning with F or ending in T. These codes will be reviewed individually by the tax office. Where a change is due the tax office will revise the code and send notifications of the new coding to both the employer and the employee. These revised codes wil generally take effect on the first pay day after May 17.

Increase in income limit for age allowance

Where a taxpayers otherwise meets the conditions for age allowance but has a total income exceeding a certain limit, the age allowance is progressively withdrawn until it is reduced to the level of the basic single or maried allowance. It is proposed to raise this income limit — below which ago allowance is due in full — to £8,000. This means that in the tax year starting April, 1985, the benefit of the married age allowance will not run until the taxpayer has income of £10,000. For a single person the corresponding figure of income is £9,528.

As part of the review described in paragraph 3, tax offices will be amending codes which at present include a reduced amount of age allowance, to take account ofthe increase in the income limit. Where the size of a taxpayer's income means that no age allowance was given for 1984-85 but age allowance is now due, the tax office will revise the code as necessary in the course of examining the 1985-86 tax return. Any taxpayer who

- Is not getting age allowance at present but
- Expects to be entitled to age allowance following the proposed increase in the income limit, adn
- Has ot been asked by the middle of April to complete a 1985-86 tax return,

should write to his or her tax office giving details of income and date of birth.

Employees liable to tax at higher rates

Some employees liable to tax at the higher rates have special adjustments in their PAYE codes either because their wives are working ("excessive basic rate" adjustment) or because they have a mortgage ("interest—Higher Rate Relief" adjustment). These adjustments will be reviewed and revised as necessary by tax offices in the course of examining the taxpayers' 1985-86 tax returns.

Wife's earnings election

In certain circumstances a married couple may find it to their advantage to elect for the wife's earnings to be taxed separately. For 1985-86 an election will normally only be worth while if the couple's combined income before deduction of allowances and reliefs is over £25,360, including wife's earned income of at least £6,956.

SINGLE PERSONS—INCOME ALL EARNED

Income £	Charge for 1984-85: Income tax £	Percentage of total income taken in tax per cent	Proposed charge for 1985-86: Income tax £	Percentage of total income taken in tax per cent	Reduction in tax after proposed change: Income tax £	As percentage of total income per cent
SINGLE PERSONS						
2,500	148	5.9	88	3.5	60	2.4
3,000	298	9.9	238	8.0	60	2.0
4,000	598	15.0	538	13.5	60	1.5
5,000	898	18.0	838	16.8	60	1.2
6,000	1,198	20.0	1,138	19.0	60	1.0
7,000	1,498	21.4	1,438	20.6	60	0.9
8,000	1,798	22.5	1,738	21.7	60	0.8
9,000	2,098	23.3	2,038	22.7	60	0.7
10,000	2,398	24.0	2,338	23.4	60	0.6
12,000	2,998	25.0	2,938	24.5	60	0.5
14,000	3,598	25.7	3,538	25.3	60	0.4
16,000	4,198	26.2	4,138	25.9	60	0.4
18,000	4,857	27.0	4,738	26.3	119	0.7
20,000	5,658	28.3	5,498	27.5	160	0.8
25,000	7,898	31.6	7,678	30.7	220	0.9
30,000	10,392	34.6	10,097	33.7	295	1.0
40,000	15,762	39.4	15,372	38.4	390	1.0
50,000	21,757	43.5	21,252	42.5	505	1.0

MARRIED COUPLES—INCOME ALL EARNED

3,500	103	2.9	13	0.4	90	2.6
4,000	253	6.3	163	4.1	90	2.2
5,000	553	11.1	463	9.3	90	1.8
6,000	853	14.2	763	12.7	90	1.5
7,000	1,153	16.5	1,063	15.2	90	1.3
8,000	1,453	18.2	1,363	17.0	90	1.1
9,000	1,753	19.5	1,663	18.5	90	1.0
10,000	2,053	20.5	1,963	19.6	90	0.9
12,000	2,653	22.1	2,563	21.4	90	0.8
14,000	3,253	23.2	3,163	22.6	90	0.6
16,000	3,853	24.1	3,763	23.5	90	0.6
18,000	4,453	24.7	4,363	24.2	90	0.5
20,000	5,198	26.0	4,998	25.0	200	1.0
25,000	7,380	29.5	7,115	28.5	265	1.1
30,000	9,817	32.7	9,472	31.6	345	1.2
40,000	15,130	37.8	14,685	36.7	445	1.1
50,000	21,067	42.1	20,502	41.0	565	1.1

(Calculations for married couples assume that only the husband has earned income)

ELDERLY SINGLE PERSONS—INCOME ALL EARNED

2,500	3	0.1	0	0.0	3	0.1
3,000	153	5.1	93	3.1	60	2.0
3,500	303	8.7	243	6.9	60	1.7
4,000	453	11.3	393	9.8	60	1.5
5,000	753	15.1	693	13.9	60	1.2
6,000	1,053	17.6	993	16.6	60	1.0
7,000	1,353	19.3	1,293	18.5	60	0.9
8,000	1,653	20.7	1,593	19.9	60	0.8
8,500	1,883	22.2	1,743	20.5	140	1.6
9,000	2,098	23.3	1,933	21.5	165	1.8
10,000	2,398	24.0	2,338	23.4	60	0.6
12,000	2,998	25.0	2,938	24.5	60	0.5

ELDERLY MARRIED COUPLES—INCOME ALL EARNED

4,000	13	0.3	0	0.0	13	0.3
4,500	163	3.6	73	1.6	90	2.0
5,000	313	6.3	223	4.5	90	1.8
6,000	613	10.2	523	8.7	90	1.5
7,000	913	13.0	823	11.8	90	1.3
8,000	1,213	15.2	1,123	14.0	90	1.1
8,500	1,443	17.0	1,273	15.0	170	2.0
9,000	1,693	18.8	1,463	16.3	230	2.6
10,000	2,053	20.5	1,963	19.6	90	0.9
12,000	2,653	22.1	2,563	21.4	90	0.8

For incomes above these levels, the figures are the same as those in Tables 1 and 2.
(Calculations assume that only the husband has earned income)

SINGLE AND MARRIED COUPLES—INCOME ALL EARNED

COMPARISON WITH 1984-85 WHERE EARNINGS INCREASE BY 7 PER CENT BETWEEN 1984-85 AND 1985-86 INCOME TAX AND NATIONAL INSURANCE CONTRIBUTIONS (CONTRACTED IN)

Annual income in 1984/85 £	Charge for 1984-85: Income tax £	NIC† £	Percentage of total income takenin tax & NIC per cent	*Proposed charge for 1985-86 (post Oct. 1985): Adjusted* income in 1985/86 £	Income tax £	NIC† £	Percentage of total income taken in tax & NIC per cent	Percentage charge in income after tax & NIC per cent
Single persons								
40.00	0.43	3.60	10.1	42.80	0.12	2.14	5.3	12.7
50.00	3.43	4.50	15.9	53.50	3.33	2.67	11.2	12.9
65.00	7.93	5.85	21.2	69.55	8.14	4.87	18.7	10.4
75.00	10.93	6.75	23.6	80.25	11.35	5.62	21.1	10.4
85.00	13.93	7.65	25.4	90.95	14.56	8.18	25.0	7.6
100.00	18.43	9.00	27.4	107.00	19.38	9.63	27.1	7.5
120.00	24.43	10.80	29.4	128.40	25.80	11.56	29.1	7.4
140.00	30.43	12.60	30.7	149.80	32.22	13.48	30.5	7.4
160.00	36.43	14.40	31.8	171.20	38.64	15.41	31.6	7.3
180.00	42.43	16.20	32.6	192.60	45.06	17.33	32.4	7.3
200.00	48.43	18.00	33.2	214.00	51.48	19.26	33.1	7.3
250.00	63.43	22.50	34.4	267.50	67.53	23.85	34.2	7.3
300.00	78.43	22.50	33.6	321.00	83.58	23.85	33.5	7.3
350.00	94.96	22.50	33.6	374.50	101.68	23.85	33.5	7.1
400.00	115.53	22.50	34.5	428.00	123.90	23.85	34.5	7.0
Married couples‡								
50.00	0.00	4.50	9.0	53.50	0.00	2.67	5.0	11.7
65.00	1.30	5.85	11.0	69.55	0.93	4.87	8.3	10.2
75.00	4.30	6.75	14.7	80.25	4.14	5.62	12.2	10.2
85.00	7.30	7.65	17.6	90.95	7.35	8.18	17.1	7.7
100.00	11.80	9.00	20.8	107.00	12.17	9.63	20.4	7.6
120.00	17.80	10.80	23.8	128.40	18.59	11.56	23.5	7.5
140.00	23.80	12.60	26.0	149.80	25.01	13.48	25.7	7.4
160.00	29.80	14.40	27.6	171.20	31.43	15.41	27.4	7.4
180.00	35.80	16.20	28.9	192.60	37.85	17.33	28.7	7.4
200.00	41.80	18.00	29.9	214.00	44.27	19.25	29.7	7.3
250.00	56.80	22.50	31.7	267.50	60.32	23.85	31.5	7.4
300.00	71.80	22.50	31.4	321.00	76.37	23.85	31.2	7.3
350.00	86.80	22.50	31.2	374.50	92.42	23.85	31.0	7.3
400.00	106.12	22.50	32.2	428.00	113.47	23.85	32.1	7.1

* The adjusted incomes shown for 1984-85 are for illustration. They have been obtained by increasing the corresponding incomes in 1984-85 by 7 per cent.
† National Insurance Contributions are at the standard Class 1 rate for employment not contracted out of the State additional (earnings related) pension scheme.
‡ Assuming that only the husband has earned income.

Business Expansion Scheme

Extension for companies involved in R & D

THE INLAND Revenue issued the following statement on the Business Expansion Scheme.

The Chancellor proposes to extend the Business Expansion Scheme to companies carrying on research and development. This change will apply to shares in qualifying companies issued after April 5 1985.

He also proposes to exclude property development as a qualifying trade under the Scheme where the company doing the development has an interest in the land or property that is being developed. Building and construction companies will not normally be affected. This change will apply to shares issued after March 19 1985; it will not affect relief in respect of shares issued on or before that date.

Both these changes help focus the scheme more closely on higher risk activities.

The Business Expansion Scheme — introduced in the Finance Act 1983 — offers income tax relief to individuals investing up to £40,000 a year in new, full risk equity of unquoted UK trading companies with which the investor is not otherwsie connected. There is a wide range of eligible trades, but certain activities are excluded. The scheme presently runs until April 1987.

Research and development companies are usually at present unable to qualify because R and D itself does not normally amount to trading; and because, if successful, R and D is normally exploited by royalties or licence fees which are excluded activities.

Property development is not itself an excluded activity at present, but related activities such as property dealing and investment are excluded. The effect of the proposed change will be further to restrict eligibility to cases where the company doing the development has no interest itself in the land or property that is being developed.

Dual residents

No legislation this year but matter to be reviewed

AFTER THE Chancellor sat down the Inland Revenue issued the following statement on Taxation of International Business: Dual Resident Companies.

No legislation on dual resident companies will be introduced this year but the matter will be kept under review.

In November 1984, Treasury ministers authorised the Inland Revenue to publish a consultative document about the tax treatment of dual resident companies (summarised in an Inland Revenue Press release of November 15).

In the light of representations which the Government have received, the Chancellor has concluded that it would not be appropriate to introduce legislation this year. But he has asked the Inland Revenue to keep the matter under close review, and if there is evidence of growing exploitation at the Exchequer's expense he will reconsider the possibility of remedial legislation.

More than 50 representations on the consultative document were received, mainly from multinational companies

Coupon stripping

Tax to be charged on discount

At the end of the Budget speech the Inland Revenue said:

The Chancellor proposes with immediate effect to alter the basis of taxation in the hands of investors of stocks issued in connection with "coupon stripping" operations.

The new provisions will apply where a company acquires securities ; d issues related stocks of its own, commonly a series of zero coupon deep discount bonds with maturities of varying lengths matching each interest payment on the underlying security, the final bond representing the principal sum.

The purpose of the provision is to ensure that tax is paid reflecting the income of the underlying security as it arises. It achieves this by charging tax on the discount on the related stocks annually. The provisions will not apply where the underlying security is a UK corporate bond.

At present the discount on deep discount bonds is usually chargeable to tax only when the investor disposes of his investment or on maturity. Under the proposed legislation investors in these stocks issued as part of a coupon stripping operation will be charged to income tax or corporation tax on the "income element" year by year.

Where the investor disposes of his stocks he will be charged to income/corporation tax and capital gains tax under the present rules for deep discount securities but a credit will be allowed for amounts charged to tax annualy under the new rules during his period of ownership.

THE BUDGET: Analysis

THE OIL INDUSTRY

Disappointment is accompanied by relief

OIL EXPLORATION in the stockbroker belt and other onshore UK sites will be moderately less attractive as a result of the Budget, but yesterday's statement was chiefly notable for the oil industry in what it left out.

The industry had mounted a substantial campaign to persuade the Chancellor to provide additional incentives to produce additional oil from declining fields, arguing that an extra 1bn barrels was there for the taking with the right investment allowance.

Last night the UK Offshore Operator Association was *putting a brave face on its disappointment.* The Government decided that the incremental investment allowance as proposed would have handed out too much money to projects which are already *economically attractive under current tax rules.*

The message from Whitehall is that such an allowance may be on the agenda in a future Budget, if technical solutions can be found to targeting tax relief. The association's judgment that the window of opportunity for such an allowance is about *to close is not shared by the Government.*

There will, however, be much relief in the oil business that the Chancellor did not tamper with the scientific research allowance which, oddly enough, covers North Sea exploration and appraisal drilling.

Had the Government decided to replace the 100 per cent such costs—in line with last year's corporation tax changes—£1.2bn a year of oil industry spending would have been affected.

In the small print of the Budget the Government also announced that this summer it would publish a consultation document on the future of the mines and oilwells allowance, a highly complex subject which has been under discussion for more than a decade.

At stake is the tax treatment of a wide range of oil *industry spending—such as* the purchase of second-hand seismic geological data — which, *so long as it is subject* to existing allowances, can only be written off over very *long periods.*

In comparison with these matters, the move to reduce tax allowances for onshore oil exploration and appraisal wells is small beer. The changes mean that in future exploration and drilling costs onshore will not be offsettable against petroleum revenue tax on existing fields.

This, in effect, means there will be very little PRT offset for the onshore sector, because few onshore fields are large enough to pay PRT in their own right. Only abortive expenditure will be allowable and that involves protracted delay. Some other anomalies beneficial to onshore producers have also been removed.

The companies hardest hit by the changes are those which are predominantly onshore but which have bought into offshore producing fields in order to broaden their tax cover.

Floyd Oil, which recently bought a stake in the offshore Claymore Field, is the most obvious loser. The amount of cash involved will not be significant for the larger companies affected.

The Government's reasoning for the change is that onshore fields, which cost much less to develop than offshore, are already sufficiently profitable.

Onshore fields, however, will bring much relief for the Government's main anxiety in the oil sector—the decline in production and revenue in *the years ahead.*

Updated forecasts published yesterday show that although the expected rate of decline in the production curve has been softened, the drop in expected revenues remains precipitous beyond 1987.

Production for this year is expected to fall in the range 120m tonnes to 135m tonnes, compared with 125.9m tonnes last year, dropping to 110m tonnes to *130m tonnes* next year and 95m tonnes to 125m tonnes in 1987. Last year's forecast put *1987 production* at 85m tonnes to 115m tonnes.

Government revenues, boosted by the sharp rise over the past year in the sterling *price of oil, are put at £13.5bn* in 1985-86, compared with the £12bn forecast in the Chancellor's *Autumn Statement.* In 1986-87 the figure falls to £11.5bn, before dropping to £9.5bn in 1987-88 and £8.5bn in 1988-89.

These revenue forecasts are more pessimistic than some independent views, because *the Treasury takes* a more than averagely bearish view about the outlook for the *sterling oil price.*

Ian Hargreaves

SMALL BUSINESS

Lawson bears gifts to self-employed and owner managers

THE Budget is likely to receive a lukewarm response from small business lobby groups who were almost unanimously pressing for a more generous revision of *the Value Added* Tax threshold than the Chancellor announced.

The lifting of the sales level at which companies must register for VAT from £18,700 to £19,500 barely keeps pace with the inflation rate, and is well short of the £100,000 threshold supported by many groups, including David Trippier, the minister with special responsibility for small firms.

More welcome will be Mr Lawson's proposal to include research and development companies within the two-year-old Business Expansion Scheme. His decision to bar property developers from the BES—which allows shareholders to claim tax relief on investments held for five years—was widely expected.

Farming ventures were excluded from the BES in the last Budget, and the past few *months have* seen a veritable flood of property companies seeking BES equity, spurred on *by fears that their sector would* suffer the same fate. They have proved popular with investors, *but lent* weight to widespread criticisms that the BES was attracting too many asset-backed *investment proposals* and not enough genuine employment-creating ventures—criticisms which Mr Lawson moved yesterday to put right.

According to one estimate, between *£50m and £60m may* have been raised by property developers under the BES in *the current tax year, which* compares with £43m raised by approved BES funds, normally *the most common kind of BES* investment. Last year, said the Chancellor, 20,000 investors *took advantage of BES tax* relief to invest £100m in more than 500 companies. More than *half of that sum* went to new businesses, he said.

It has been an especially advantageous Budget for the self-employed and for owner-managers, who benefit from two Capital Gains Tax and National Insurance reforms. Until yesterday, owner managers who retired before the age of 65 for any reason had to pay full CGT on any company share disposals they made in the process.

Retirement relief has now been extended to people giving up their job at the age of 60 and to those who retire before then because of ill-health. This measure will help to ease the transfer of power between generations in many small companies where the proprietor had been inhibited from retiring because of CGT considerations.

The self-employed have for long argued that they are treated unfairly when it comes *to National Insurance payments,* because they have been unable to *offset* their contributions *against tax.* However, they will be able to claim relief on half of their graduated Class 4 National Insurance contributions—a profit-related tax introduced in 1975—as from April 6. And flat rate Class 2 contributions will be cut from next October from the current £4.75 to £3.50 per week.

"This will make it cheaper for our members to employ people, and it should encourage them to take on more labour," said Ralph Jackson of the National Federation of Self Employed and Small Businesses.

The change brings the self-employed more into line with incorporated companies, which are *allowed to offset against tax* the National Insurance contributions which they pay on behalf *of their employees. The benefits* of the new reliefs to the self-employed will be £55m in the *tax year to April 1986 and £155m* in a full year.

Underlining the importance which he attaches to the sector, Mr Lawson pointed out yesterday that the ranks of the self-employed had grown by 500,000 or 30 per cent to 2½m over the past five years.

Mr Lawson moved yesterday to alleviate another important problem faced by many small businesses—bad customer debts. Only limited tax relief is currently available on VAT charged on sales to bad debtors or insolvent customers, and this is now to be extended.

The new reliefs will be contained in the Government's Insolvency Bill, which *is now* being debated in the House of Lords. They will cost some £25m in a full year and take effect when the bill becomes law some time in the summer.

William Dawkins

BUILDING SOCIETIES

Investors and funds affected

THE CHANCELLOR announced *further measures aimed at* putting banks and building societies on an equal footing. *These will affect both building* society investors and the societies' own funding.

There are three main changes which will affect investors. From April 6, 1986, societies will be able to pay interest gross to non-resident individuals. At present any of the 5m or so British ex-patriates together with any other non-UK resident who chooses to invest *in a building society would receive* interest net of tax, effectively negating the tax advantages *of being a non-resident.* Were they to invest in a bank deposit account, however, they would receive their *interest* gross and building societies have long wanted this facility.

The limit on the amount which any individual can invest in a building society account is also to be abolished *with effect* from April 5 this year. Previously the limit was £30,000 for an individual and £60,000 for a joint account.

A change which will perhaps *be less welcome to investors is* that building societies will now have to inform the Inland *Revenue of interest payments* or credits made to investors about a particular ceiling. *Banks are already required to* do so once the interest in any account exceeds £150 a year, a *limit which is shortly to be* raised to £400. The same ceiling will also apply to societies. Whereas the £150 was a gross interest ceiling the £400 ceiling would after April 6 be net of composite rate tax.

Societies are less keen on the Chancellor's proposal that with effect from April 6, 1986 they should start paying their tax bills quarterly to match the banks instead of annually as they do now.

Neither are building societies overjoyed with the extension of Miras (mortgage interest relief at source) to new loans exceeding the present £30,000 limit which is eligible for tax relief. Previously they had a choice

TOBACCO AND ALCOHOL

Mixed reaction from industries' associations

BRITAIN's DRINK and tobacco industries had mixed reactions last night to the Chancellor's speech. The beleaguered Scotch *whisky industry, for example,* welcomed the Chancellor's announcement of a modest 10p *increase in the price of a bottle* of Scotch, which lifts the price of a bottle by just 1.4 per cent *to about £7.20,* the lowest tax increase within the entire drinks industry in percentage terms.

At the same time tobacco-makers were relieved that the Chancellor *had not gone even* further than his 6p extra duty on a packet of 20 cigarettes. They *remained angry,* however, that smokers had yet again put up with a rise higher *than the inflation rate.*

Britain's brewers also face a tax rise which slightly outpaces *inflation.* The Chancellor has called for an average 1.5p increase on the price of a pint of beer. The Brewers Society said the move was unfair to more than 30m beer-drinkers.

An extra 6p per bottle is being added to table wine, which has been enjoying healthy growth in sales in the past two years. Sparkling wines and fortified wines, which include *sherry,* vermouth and port, will incur another 10p in tax.

The Wine and Spirits Association yesterday criticised the tax on fortified wines. It said the Chancellor had shown shameless discrimination against sideboard wines.

Although tobacco-makers remained concerned last night at the potential job losses arising from the extra duty, the impact of this latest increase may not be as severe as in recent years.

Last year's 10p rise led only to a 2.5 per cent fall in *consumption,* suggesting that smokers are becoming less willing to give up their habit whatever the cost.

The price rise on a packet of cigarettes, which currently sells *at about* £1.27 at a recommended level and several pence cheaper in some shops, is unlikely to take effect for some time, because existing stocks will still carry the old rate of duty.

The biggest threat to the established tobacco companies, however, is that the latest duty increase will make imported own-label cigarettes even more popular. So far own-label cigarettes, which were selling at 99p a packet before the latest increase, have captured about 4 per cent of the market.

Both the British Medical *Association* and the *Action on* Smoking and Health pressure group welcomed the 10p increase *last night. Both, however,* felt the increase was insufficient to discourage smokers.

David Churchill and Carla Rapoport

CAPITAL ALLOWANCES

Useful change for companies with short-life assets

The changes in the treatment of capital allowances are hardly the sort of wide-sweeping measures sought by the Confederation of British Industry, but they will nonetheless help companies with assets which are either scrapped or sold within five years of being bought.

Under the rules introduced last year, a company replacing machinery after five years would have been able to offset only 75 per cent of the original cost of the equipment against tax over the period. A company renewing after two years would only have had time to offset 43.75 per cent of the investment against taxable profits.

The new legislation will allow these short-life assets to be treated separately from longer ones or, in the Inland Revenue's phraseology, they will be "de-pooled." It is not entirely clear how the system will work, but accountants believe that any balance of depreciation left at the end of the asset's life will then be written off against tax.

The system will be especially useful to high-technology companies investing in expensive equipment which soon becomes out of date. Other beneficiaries will include construction companies and courier services which work their machinery very hard.

The Equipment Leasing Association welcomed the measure, but the CBI admitted to some disappointment that nothing else was done to smooth the transition between the old and the new system of capital allowances. It had wanted the Chancellor to extend the present allowances for another year and to allow assets to be depreciated more quickly.

Finance directors seemed to see the change as a small but useful one. Mr Antony Hichens of Consolidated Goldfields said: "It's a good, cleaning-up measure, but it won't make any profound difference. It's a tactical rather than strategic measure."

Mr Hugh Cullem of Cadbury Schweppes said: "It's quite difficult to see how it's going to work, but it must be a sensible move because there are so many assets with a short life."

He also welcomed as "very good news" the Chancellor's reiteration that expenditure on scientific research and development will still qualify for 100 per cent allowances. This means that it can be set against profits before they are taxed.

Mary Ann Sieghart

VAT AND IMPORTS

Second concession for industry

A SECOND important concession won by industry affects new rules for charging value added tax on imports, announced in last year's budget and introduced in November.

The Chancellor has now decided that goods temporarily imported for repair or for processing need not pay VAT. The relief on processing only applies if the basic identity of the product is not changed such as in refining of precious metals. The changes will not apply to materials being manufactured into other products or to goods being imported for warehousing or minor handling such as re-packing.

Companies like Rolls Royce had complained that the new regulations hit exporters which have to bring products back into the country to honour maintenance and repair agreements.

In January, Rolls complained that it faced a £600,000 VAT liability on a $4.5m (£3.9m) RB 211 aero engine which it exported last autumn and then had to bring back to Britain for minor repairs.

Processing companies had also warned about damage to exports. Johnson Matthey, for example, has complained that its position as one of the world's leading refiners of precious metals could be affected if the rules were not changed. It warned that interest charges could rise by £2m to meet the additional cost of financing VAT liabilities.

Under rule changes introduced last November VAT on imports has to be paid either when goods enter the country or (on provision of adequate financial guarantees) by the 15th day of the month following importation.

Previously importers had up to 11 weeks before VAT liabilities had to be accounted for. In practice this meant that many importers never had to pay VAT.

Andrew Taylor

CHARITABLE COVENANTS

Ceiling for tax relief increased to £10,000

PAYMENTS made by an individual to a charity under a covenant lasting more than three years offer significant advantages to the charity because it can reclaim income tax at the basic rate of 30 per cent on those payments.

For example, if an individual pays £10 under the covenant, the charity may reclaim *£4.28* from the Inland Revenue. From the individual's point of view *he* is regarded as having paid £14.28, from which he has retained tax at the basic rate *(£14.28 x 30 per cent = £4.28).* Where the individual is subject to tax at the higher rates, he may deduct that payment for tax purposes.

The individual's ability to deduct covenanted donations to *charities has previously been* limited to the first £5,000 of such payments. For payments *made after April 5 this is* increased to £10,000.

It was widely feared that the Chancellor would take action to reduce the benefits available under non-charitable covenants. However, no change in the taxation position of such covenants was announced.

Malcolm Gammie

COMPANY CARS

Continued attack on perks for the employee

THE CHANCELLOR continued the Government's attack on company cars as a benefit in kind by lifting the tax on this perk by about 10 per cent or roughly double the rate of inflation.

In terms of tax the average company motorist driving a 1600cc car will pay about £3.32 a week in tax *for the benefit of* his vehicle against £3.03 in 1985-86. The tax doubles if the company pays *for his petrol.*

This follows three years when amounts on which tax must be paid for the use of a typical company car and petrol has risen by almost 190 per cent. For a 1600cc car the charge was only £360 in 1982-83 and will be £1,150 in 1986-87.

Vehicle excise duty has also been increased at a rate well above inflation: for cars and light vans it goes up by £10 to £100 and there are proportional increases for motorcycles and buses.

For some 150,000 of the heavier rigid lorries there will be excise duty increases ranging from £30 a year to £360 or 7 per cent to 29 per cent but for the majority of lorries there will be no increase in this year's rates.

Mr Nicholas Ridley, Transport Secretary, explained last night that this was "a further step in matching the pattern of taxation for lorries to the pattern of their costs and for the first time every class of lorry will pay its way.

"I recognise that this means *steep increases for some lorries* which have hitherto underpaid but if the right structure is to be achieved in a reasonable timescale this is an unavoidable step."

The Freight Transport Association estimated that the haulage industry will have to find an extra £33m in vehicle excise duty and that, taking into account the extra cost of diesel fuel, the operating cost of vehicles will rise by between 0.5 per cent a year and 1.5 per cent for the heaviest lorries.

The Road Haulage Association pointed out that the duty increases on rigid vehicles would cause serious concern among tipping operators who would be hardest hit and whose loads were usually of low value: sand, gravel, ballast and so on.

The association said it was disappointed that the Chancellor had added 3½p to the price of a gallon of diesel fuel—which would add 0.5 per cent to hauliers' annual operating costs or £200 a year for the heaviest lorries.

Fuel accounts for 24 per cent of the average haulier's costs and derv has increased in price by 31p a gallon since last September before the Chancellor struck another blow.

By increasing the duty on petrol by 4.1p a gallon, the Chancellor has pushed the average four-star price through the £2 barrier to 203.6p. This will add about £13 a year to the average motorist's petrol bill.

Oil companies said last night that as the increase in tax was in line with inflation it should not hurt sales.

Kenneth Gooding

EMPLOYEE SHARE SCHEMES

Added incentive for companies' key staff

THE CHANCELLOR'S proposal *to make employee share* schemes more attractive will be particularly welcomed by a large number of service companies.

Such enterprises—the chief assets of which are often their key staff—are increasingly using share incentive schemes to build up the loyalty of their personnel and give them a stake in the business.

The number of employee *share schemes has mushroomed* over the past five years from 80 to 850, and they have proved particularly *popular among* advertising and design companies quoted on the Unlisted Securities Market.

Employees who acquire shares through a profit sharing scheme will be allowed to sell their equity after five years without paying income tax on the proceeds. Such disposals will be more lightly taxed as *capital gains.*

The previous time limit was seven years. Incentive scheme *shares sold in the sixth year* after purchase also attracted income tax in respect of 50 per *cent of their value, declining* to 25 per cent in the seventh year; under the new rules, the *full value of the shares being* sold will attract income tax if the disposal takes place before *the five-year period is up.*

Mr Lawson provided a boost in last year's Budget to share incentive schemes by permitting disposals to be taxed as capital gains—subject to the seven-year restriction—rather than attracting the heavier *burden of income tax.* The measure was widely welcomed, and yesterday's reduction of the *retention period comes as a* recognition of its popularity.

William Dawkins

HIGH-TECH EDUCATION

Boost for technical and engineering studies

THE GOVERNMENT has answered high-technology industry's complaints of crucial staff shortages by earmarking nearly £70m over the next three years to increase technical and engineering education.

The Prime Minister yesterday wrote to the heads of 30 big high-tech companies saying she expects them to support the effort by donating equipment, seconding staff, sponsoring students and/or giving money.

About £43m will go to increasing the output of graduates mostly in electronic and software engineering, but also in production engineering, applied *physics and materials science,* and basic engineering science. Another £25m will be used over *the next two years to train* teachers already serving in schools to permit expansion of *courses in technology* and other work-related studies for 14- to 18-year-olds.

The £25m will be channelled to the school sector through the Manpower Services Commission as a precursor to legislation, intended to take force in 1987, to give central Government control over most, if not all, spending on the in-service training of teachers. Control *of well over 90 per cent of the* spending is at present held by individual local authorities.

The bigger sum going to raise graduate output in engineering and technology should produce an additional 4,000 people with degrees in the *relevant subjects by 1990, on* top of the extra 5,000-plus already provided for by *previous Government initiatives in* the high-tech field.

In the next academic year starting in the autumn, £11m will be allocated among about 20 of the universities, which have bid for extra funds to increase engineering and technology activities. A panel of industrialists from the CBI's Information Technology Skills Agency is helping the University Grants Committe to decide which bids to finance. The first year's allocations will go to projects which can be started without any new building work.

For each of the 1986-87 and 1987-88 academic years, a total of £16m will be available for *further projects.*

Michael Dixon

INVESTMENT MANAGERS

Victory on foreign tax liability

INVESTMENT MANAGERS *have won a victory by securing* their exemption from tax liability when they act on behalf of *their non-resident clients.*

London merchant banks and other financial institutions had complained that the previous rules were unclear, and said that they hampered their ability to attract customers from overseas.

The new rules make it clear that investment managers will not normally be held liable for the tax due on profits they make for foreign clients.

Under the old rules Inland Revenue guidelines indicated that a bank or investment manager would not normally be charged for the tax on these profits, but in a number of cases managers found themselves faced with substantial tax bills.

One commodity broker managing funds on behalf of overseas clients was confronted with a demand for over £1m in tax.

Wide-ranging proposals on the taxation of non-residents investing in or operating in the UK are to be issued later this year in an Inland Revenue consultative document.

George Graham

THE BUDGET: Analysis

IMPACT ON INDUSTRY
Cautious welcome from employers

INDUSTRY has welcomed the "labour market" measures in the Budget—but with reservations. The unions are distrustful—but reluctantly concede some merit.

Mr Parry Mitchell, chairman of United Leasing, has around 150 staff, many of whom are relatively highly paid. Like many high-technology executives, he views with disfavour the Budget measures to abolish the upper limit of a £265 weekly income on which national insurance is paid, and to reduce the flat rate of 10.75 per cent for employers and 9 per cent for employees to a graduated system at the lower end.

A CBI economist said last night that the companies which would get the advantage would be those paying lower wages; "nuts and bolts and widget companies" or those in the service area. "These are not the internationally trading companies which we need to see prosper," he said. "In overall terms the cost to industry might be down a little, but there is this worry that it's hobbling success."

His opposite number at the TUC sess the matter in a more radical light. The unions cannot and do not cavil at the lower paid being relieved of the burden, or some of the burden, of national insurance: but some union economists believe that the budget measures, when taken together with the jobs package soon to be unveiled by Lord Young, is a coherent, and alarming far-reaching reform.

"It is equivalent to a great piece of social legislation," a union economist said last night. "These measures show that the Government has passed beyond the stage of seeing changes in the labour market in a piecemeal light, and are now going all out to revolutionise it.

"You can't quarrel with lowering national insurance contributions at the lower end: but taken together with the raising of the qualifying period for unfair dismissal claims (from one year to two years) and with the possibility of the abolition of wages councils, you can see emerging quite clearly a strategy to lower wages sharply.

"I think it will encourage employers in unorganised, sweatshop industries to cut wages or at least hold them down; but I don't think there's any evidence it will create jobs."

The same lack of evidence is adduced on the raising of the unfair dismissals qualifying period. Mr John Atkinson, a fellow at the Institute of Manpower Studies, said last night that only 7 per cent of those dismissed outside the old one year qualifying period, went to industrial tribunals: and only 2 per cent had their complaints upheld. "It's a psychological thing," Mr Atkinson said. "Employers think it's important."

The point is partly borne out by Mr Graham Mather, policy head at the Institute of Directors. Mr Mather is convinced the Budget will create jobs: while conceding that the unfair dismissals measure is "an attitude thing," he thinks that attitudes are and will be important in hiring decisions.

Mr Edward Atkin, chairman of Cannon Rubber, a 1,000-worker company in north London, won't be hiring many more people (if any) because of the measures on national insurance or the unfair dismissal. "It may help the shop and catering sectors: my experience is that there's not that many people in Tottenham waiting to be hired on a low wage anyway.

"The big change in unfair dismissals was when the qualifying period went up from six months to a year."

Mr Mitchell agrees: "You can tell about someone by six months: you don't need a year or more. I've never been much influenced by that when I hire people."

The equity of the Chancellor's reforms in the national insurance area appeared to appeal to employers, institutions and unions alike: the differences emerge on the practicality of their operation in the real world, and on quite how radical they would prove to be.

Observers on both sides of industry have doubts—muted in the case of the CBI, vocal in the case of the unions—on the goal of a low wage, low productivity sector of the economy as the main creater of jobs. But there is no doubt that is what the Government is now aiming at.

John Lloyd

TAX REFORM
Green paper thwarts hope of immediate overhaul

AS A tax reformer Mr Nigel Lawson, the Chancellor, has turned distinctly green. In his second Budget he has discovered a new principle: "the right way to proceed with major tax reform is to issue a green paper first, as a basis for full and informed discussion . . ."

The Chancellor recalled that last year's overhaul of corporation tax had been preceded by a green paper in 1982. Reform of personal income tax is to be put on the same time scale: a green paper later this year, legislation in 1987 and a new system in place by the "end of the decade."

Such a time frame will be disappointing for those who hoped that a second-term Conservative Government would exploit the window of opportunity raised by a huge parliamentary majority to undertake tax reform which in the short term might be highly unpopular.

Neither the Chancellor's contention that a green paper is an essential prelude nor his claim that reform must await full computerisation of PAYE in 1989 is convincing. Yesterday, after all Mr Lawson announced a radical reform of that tax-by-another-name, national insurance contributions, without fulfilling either criterion.

Green papers are no substitute for action. The Chancellor was careful not to mention that the reform of matrimonial taxation he outlined in his Budget speech was the subject of a green paper as long ago as 1981.

Nor did he admit that last year's reform of corporation tax came as a complete surprise: it was not argued for strongly in the 1982 green paper nor was the abolition of 100 per cent first year allowances favoured in submissions on the paper.

Yesterday Mr Lawson went out of his way to reassure special interest groups that they need not fear tax reform. He promised there would be no further extension of the value added tax (VAT) base in the lifetime of this parliament.

Since Mr Lawson is unlikely to risk an inflationary increase in the rate of VAT in future Budgets, he is effectively stating that the Conservative Party's long-standing dream of a significant switch from taxes on earning to taxes on spending must remain just that. The VAT base will remain narrow and illogical at just over 50 per cent of consumers' expenditure.

The Chancellor has also ducked any serious attempt to broaden the base of direct income tax (which would have allowed a significant cut in marginal tax rates and a corresponding boost to incentives and enterprise).

The sacred cows of mortgage interest relief and pension fund privileges remain intact. Shares of life companies soared yesterday as the Chancellor ruled out the need even for a Green Paper on the taxation of pensions.

It is not just that Mr Lawson has failed to build on last year's tax reforms. He is showing signs of realising that not everything he did in 1984 made sense.

The decision to allow companies to exclude from capital expenditures any asset beleived to have a short life (under four years) is of great importance especially for hi-tech business. So is the proposal to maintain 100 per cent allowances for scientific research.

Taken together these concessions are an admission that capital allowances which meant that corporate tax was based on cash flow made a lot of sense.

The Chancellor's capital gains tax reforms are welcome: the indexation provisions are now much more logical than in Sir Geoffrey Howe's mark one effort. But for tax reform enthusiasts, it is disappointing that Mr Lawson has not gone the whole hog and proposed that fully indexed gains be taxed as income. This was the aproach favoured by the U.S. Treasury in its tax reform proposal last year.

The overhaul of matrimonial taxation which seems to be the main focus of the personal tax Grene Paper expected later this year is important. Single transferable allowances for all would reduce the present discrimination between different types of household.

But this sort of reform cannot be regarded as a substitute for the far-reaching changes set out for example by the Meade Committee in 1978 or by the U.S. Treasury last year. The Chancellor's remarks on VAT and pension funds yesterday show that he has no intention of moving towards either of the only two feasible tax systems which do not cause distortions. He has rejected both a broad based tax on consumption and a tax on real economic income.

Michael Prowse

VAT—NEWSPAPERS
Relief at Chancellor's cover price pledge

THE CHANCELLOR'S decision to extend the standard 15 per cent Value Added Tax rate to advertisements in newspapers and magazines received a mixed reaction in the press and publishing world last night.

But perhaps the strongest feeling was one of relief that the Chancellor had not opted to slap 15 per cent VAT on cover prices—as many had feared he would. Both the book and newspaper industries had campaigned hard against such a move. Last night their efforts were crowned with success—so much so that Mr Lawson promised there would be no VAT on books and newspapers themselves in the life of this Government.

But there are fears that the 15 per cent VAT rate on Press and magazine advertising—something that had also been widely expected before the Budget—would hit hard at some publications. The extension of VAT to magazine and Press advertising is expected to yield some £30m for the Exchequer in 1985-86 and around £50m in a full year.

Mr Lawson pointed out in his Budget speech that other advertising was already subject to VAT and added that there was "no justification" for the present anomaly. Magazine and newspaper advertising will become subject to VAT in May this year.

But only two types of advertising will be seriously affected by the change—personal classified adverts and advertising by banks, building societies and other financial institutions. Nearly all other advertisers will be able to reclaim the VAT they pay.

Last night, however, the Newspaper Society, trade association of the regional and local press, warned that smaller local papers could be hard hit by the Chancellor's decision. Mr Dugal Nisbet-Smith, director of the Newspaper Society, said the "most vulnerable" sector of the Press would "suffer considerable hardship." And he questioned whether the damage to the industry was "worth it for a mere £30m increase in revenue."

"Up to one-fifth of all advertising in the regional and local Press is accounted for by classified advertising and smaller papers will have to pass the increased cost on," Mr Nisbet-Smith said. "We believe the result will be a loss of around 3 per cent — £5m worth — of advertising per year. And some local papers will become thinner as a result."

He claimed that "Fleet Street won't feel the change." But the Newpaper Publishers Association, which represents the national Press, took a different view. It said the quality national Press, which has more classified advertising than the pop papers, could "take a pounding." More advertisers from the financial world might switch to radio or television.

"Without a doubt some national papers will lose advertising," the association said. "Whether, at the end of the day, one or two of them will be brought nearer to the edge of the precipice remains to be seen."

The Financial Times was singled out by many in the industry as likely to be affected by the decision to put VAT on finance house advertising in the Press. But Mr Frank Barlow, chief executive of the FT, said that only some 11 per cent of the paper's total advertising came from the exempt financial sector.

What seemed to be causing greater concern yesterday to the managements of the FT and other Fleet Street papers was that employers of highly paid staff would now have to pay considerably more in national insurance contributions. This could not only hit the profits of national papers but could also cause a drop in adverising from the financial sector, which is also expected to be hit by the move.

Magazines will be variously affected—depending on their content and on the amount of classified advertising they take. Mr Ron Chilton, chairman and chief executive of IPC, said yesterday that he expected classified advertising would drop away—but only temporarily. He pointed out that the increase in classified advertising costs in money terms would be a matter of pence rather than pounds and he suggested people would not baulk at paying the extra. Businesses—as opposed to people placing personal classified ads—would be able to reclaim VAT if they were registered and made heavy use of classified ad columns.

One group which expressed great dismay over the Chancellor's VAT decision last night was the Charities VAT Reform Group. It claimed that the top 10 charities in Britain, including the NSPCC, the British Heart Foundation, the RNLI, the Cancer Research Fund an the Multiple Sclerosis Society, would have to pay out an extra £0.5m a year as a result of the change.

The group said that the top 10 charities spent £2.92m last year on newspaper advertising—all of it designed to raise money for their causes. The extra cost of advertising would force charities to cut their budgets and they would almost certainly raise less money as a result.

Over 100 MPs signed a motion before the Budget calling for charities to be totally free from paying VAT, the group said, and it added that it would continue to campaign hard for its members to be taken out of the VAT net.

Sue Cameron

EMPLOYMENT
Surprise move on unfair dismissal

THE GOVERNMENT'S ideas about greater flexibility in the labour market lie behind the Budget announcement of a Green Paper on the future of wages councils and changes in legal provisions relating to unfair dismissal.

The first measure was widely expected; the second, a surprise. Together, both employers and unions yesterday saw them as a package likely to have a significant effect on employment—helping deregulation, according to the employers, and removing necessary protection, according to the unions.

Mr Tom King, Employment Secretary, will this week announce details of the consultative document on wages councils. These are the 26 statutory joint bodies legally empowered to set legally-enforceable minimums for pay, holidays and other employment conditions for about 2.75m workers, many of them part-time women.

Abolition of any or all of the wages councils, or major alterations to them, are precluded until June next year by the Government's standing ratification of International Labour Convention No. 26. This cannot be renounced until June this year, allowing the Government a one-year "window" for change.

The Government has been concerned about the possible effect of minimum wage-fixing on jobs, especially those of young people, and both employers and unions yesterday were making snap judgements from the Chancellor's tone about how firm the consultative paper is likely to be.

Mr Lawson seemed clear enough, stating openly that wages councils destroy jobs and specifically mentioning complete abolition as an option in the Green Paper's proposals for radical change in the system.

Union economists, though — and even the more dovelike among employers — were hopeful that the stressing of this impact on small employers and on young job-seekers might point towards an emphasis in the Green Paper on alteration, rather than abolition.

This would mark a victory for the Employment Department over the hardline Treasury. Current best-guessing in Whitehall is that the main reformation will be the exclusion of young people, aged 18 years and under, from the wages council net.

But even the Budget mention produced anger among unions. Mr Alec Smith, general secretary of the Tailors' and Garment Workers' Union—about 285,000 tailoring workers are covered by wages councils—said it was a "sweatshop operators' charter," though Mr Graham Mather, policy head of the Institute of Directors, welcomed the move.

The impact of the wages council change will be limited; but the alterations to unfair dismissal provisions will apply to all employers.

Mr King said the change should help reduce the reluctance of employers to take on more people while preserving a fair balance between the reasonable interests of employer and employee.

Philip Bassett

DEVELOPMENT LAND TAX
Abolition of complex measure seems worth revenue loss

THE IMMEDIATE abolition of Development Land Tax sees the end of one of the most complex and controversial pieces of legislation introduced in recent years. The Chancellor will lose £50m a year in revenue but seems to think the removal of 200 highly complicated pages from the statute book will be well worth the price.

Brought in during 1976 by a Labour government, determined to reap some of the benefits of soaring land values at a time of high inflation, the tax quickly came to be seen as more of a bonus for lawyers than for the community.

Designed to realise a share in higher values arising from the development of land, the imposition of the tax kept large volumes of potential development land off the market and created major uncertainties for developers about potential tax liabilities.

Introduced at an initial basic rate of 80 per cent, the tax was intended to rise later to 100 per cent. In 1979, however, the newly-elected Conservative Government abolished the accompanying Community Land Scheme and lowered the tax rate to 60 per cent. Exemption limits were also raised.

Residential and commercial developers have since lobbied hard to have the tax removed, claiming that the cost of collecting at least some elements of the tax was in danger of exceeding the yield, and that resulting land shortages served only to push values higher and to restrict new development.

Last night the Housebuilders Federation and the British Property Federation welcomed the abolition of what they variously described as an ill-conceived nuisance and an irritant.

Knight Frank and Rutley, the agents and surveyors, said the move would have an entirely beneficial impact on the market, releasing more sites for development and reducing costs by speeding up progress on projects.

Development gains will continue to be subject to income tax, Corporation Tax and Capital Gains Tax in the same way as any other income or capital gains.

The removal of DLT was not the only piece of good news for the development industry. There had been fears that the Chancellor, in spite of an earlier pledge to resist EEC moves to have it introduced, might be tempted to exend VAT to new commercial construction work.

Mr Lawson said there would be no such extension and neither did he expect one during the lifetime of the current parliament.

Development companies were also welcoming the changes in indexation allowances for Capital Gains Tax, which could substantially reduce tax liabilities for long-term property investors on disposal of property assets.

The move could reduce current discounts on property shares, although any significant upsurge in sales resulting from CGT changes could weaken property prices.

Michael Cassell

VAT—CREDIT CARDS
Cost of unseen changes may seep through to holders

THE CHANGES in VAT on credit card transactions will not be evident to Britain's fast-growing army of cardholders because they affect the behind-the-scenes working of the system.

They will, however, mean the issuers of cards, mainly the Big Four clearing banks and the large department stores, will have to find about £20m a year that they could previously reclaim from the Treasury. This could eventually seep through and add slightly to the cost of using a card.

Merchants accepting credit cards pay a small charge, usually 2 per cent to 4 per cent of the value of a purchase, to the credit card companies. The Treasury has levied 15 per cent VAT on this charge and the banks were able to recover VAT on any costs related to it.

From May 1 the transactions will become VAT-exempt, which will end the banks' right to recover VAT on their input costs. Barclays, which issues Barclaycard, estimates that it recovered £4m in this way last year.

The change brings the UK in line with EEC practice where financial transactions are VAT-exempt. It was, however, made more for revenue reasons than harmonisation.

Some form of taxation of credit cards was eventually to have been expected, given the explosive growth of the business in recent years. The turnover of Barclaycard and Access, the card issued by the other three big clearing banks, has soared 25 per cent in each of the past two years and department stores are rapidly developing card schemes of their own—notably Marks & Spencer, which has begun to solicit applications.

The changes will also apply to other card companies like American Express and Diners Club operating in the UK.

David Lascelles

TAX MITIGATION
Less advantage in changing partners

THE ABILITY of a partnership to reduce its tax bill when a change of partners occurs has been subject to criticism over a number of years. Following an Inland Revenue consultative paper issued last year, the Chancellor has announced a change in the rules which will restrict a partnership's ability to mitigate tax in this way.

The scope for tax reduction arises from the partnership being able to elect that, on a change in the partnership, a new business is treated as commencing for tax purposes. The results for the first trading period after the change could then form the basis of assessment for up to three tax years. By arranging that the profits in that first period were low as compared with the following periods, significant savings could be achieved when coupled with further partnership changes at a later date. For changes in partnerships occurring after Budget day the partnership will be taxed on the actual profits arising in the first four years after the change. This does not apply to a partnership business when it actually starts trading nor where the partners elect on a change in the partnership to be taxed on a continuing basis ignoring the change. No alteration has been made in the way the old partnership as it existed up to the change is taxed.

This will reduce substantially the scope for tax avoidance on partnership changes. However, a more radical change in partnership taxation, to a current year basis of taxation, which was widely advocated in response to the consultative paper, has not been adopted and will not, it seems, be on the agenda in coming years.

The consultative paper also proposed a change in the way the profits of certain partnerships should be calculated. Such partnerships, which are mainly professional partnerships, are on what is known as the "conventional" or "cash" basis, under which they do not account for work in progress. Increase in work in progress as such are accordingly not taxed. No action has been announced on this aspect of the paper.

Malcolm Gammie

CORPORATIONS
Access to bond market eased

THE Government has been keen for some time to widen the financing options available to corporations, particularly in the bond markets. The capital market measures are intended to make it easier for companies to tap the shorter end of the bond market by removing a technical but nonetheless potent deterrent.

Under the 1979 Banking Act, companies which make regular issues of short-term bonds run the danger of being accused of acting like deposit-takers or banks, for which they would need a special licence.

Although it was never seriously suggested that they would be sued for this, many companies had expressed concern to the Bank of England, which enforces the Banking Act, and the Treasury, about the way the Act was framed.

The regulations will shortly be changed to make it clear that regular short-term bond issues will be exempt from the Act, and the Bank last night issued a notice setting out the new arrangements.

To be exempt, bonds must be of between one and five years' maturity; issued by a company listed on the Stock Exchange or the USM; listed for trading, or accompanied by prospectuses setting out all necessary information about the issuer; in minimum denominations of £100,000 (they can carry fixed or floating rates of interest, payable not less than half yearly); and subject to the Bank of England's usual timing controls to avoid bunching of issues.

An issue of bonds may also be sold on a tap basis as and when the borrower wants to take advantage of market conditions, though he will need permission for each new portion.

The changes will principally give corporations an alternative to bank loans, which are frequently more expensive than bonds as a form of finance. As such, they could result in a flow of business away from banks, particularly since the tap aspect will allow a degree of flexibility.

However, the City revolution is already giving a strong impulse to the "securitisation" of banking business: the substitution of straightforward bank lending with new forms of securities issues which tap the capital markets directly. Banks are also becoming more involved in the securities business themselves.

The changes will do little to resolve the deeper problem of encouraging corporations to make greater use of the long-term bond market—up to 30 years—which many people believe would strengthen corporate balance sheets and simplify the Government's task of monetary control.

However, to the extent that companies from the non-financial sector take advantage of the rules to tap the short-term bond market and reduce their bank borrowings, the pressures on the money supply will be eased.

David Lascelles

FUTURES/OPTIONS
More favourable treatment is expected to open up trading

COMMODITY and financial futures and traded options on futures are to be given a more advantageous tax treatment. This move was welcomed by the futures markets as opening up trading to a far wider range of potential investors.

Profits from futures dealings which are not part of a trade will be charged as capital gains from April 6 instead of being treated as income and taxed under Schedule D, Case VI. Gains and losses from traded options on futures will also be brought within the capital gains tax rules unless the transactions are trading activities.

Case VI treatment means individual investors may be liable to income tax at rates up to 60 per cent of their profits. In addition Case VI losses may be set only against other Case VI income and not against a taxpayer's general income.

By contrast, capital losses may be set against capital gains of any description.

The charge to capital gains tax will normally only apply to profits or losses on contracts which are closed out by matching transactions. The tax treatment of contracts which run to delivery will in general remain unchanged.

These changes will remove a tax disincentive to investing in futures and strengthen the UK futures markets against international rivals.

Mr Michael Jenkins, chief executive of the London International Financial Futures Exchange (Liffe), said: "The abandonment of this inequitable tax treatment means futures will be treated in the same way as the underlying instrument.

"This symmetry of treatment is essential for hedging purposes. In this new tax climate we are looking for much greater participation in financial futures and traded options by investment trusts, unit trusts and corporate treasurers."

The London Commodity Exchange said it was "delighted" with the tax changes.

Charles Batchelor

STAMP DUTY
Concessions will give back only £14m

ALTHOUGH THE Chancellor boasted yesterday that his proposed changes in stamp duties will reduce by over 40 per cent the number of documents which require stamping, his concessions are negligible in revenue terms—costing just £14m in comparison with total stamp duty receipts of around £1.1bn in the coming fiscal year.

The Inland Revenue published a discussion paper on stamp duties two years ago, and several changes now being implemented were mooted then. These include abolition of the 7 per cent transfer duty on gifts, with its high valuation costs but low yield, and also of the contract note duty on shares transactions (not to be confused with the much bigger stamp duty on the actual transfer of the securities).

Many of the nominal fixed duties (usually at 50p a time) have been scrapped, something that was also foreshadowed two years ago.

In addition, legislation is to be introduced to provide for the takeover relief promised last July. Companies taking over other companies for shares or certain other securities will avoid stamp duty, but it will remain payable on takeovers for cash.

There are no concessions, however, in respect of the major *ad valorem* duties, notably those on share transfers and house conveyances.

For house purchasers, however, one minor change should speed up transactions in some cases. Until now, all conveyancing documents in England and Wales have had to be submitted to the Stamp Office and also (where applicable) the Land Registry. But now most conveyances where the sale price is under the stamp duty threshhold (currently £30,000) will be able to go straight to the Land Registry.

The Chancellor states his intention to continue the process of reforming stamp duty in future years, and the duty on share transfers is one that could come under greater scrutiny in 1986.

Although the Stock Exchange has continued to argue for further reductions in stamp duty following the cut from 2 per cent to 1 per cent a year ago, in some ways it suits the London stock market to retain the duty for the time being. This is because Stock Exchange jobbers are exempt, giving them an advantage over non-Stock Exchange market-makers such as Robert Fleming, Harvard Securities or several London branches of U.S. securities houses.

By October 1986, however, the London market is likely to be opened up to outsiders, and there will be no longer be scope for special treatment of jobbers. At that stage, the question will arise of whether London will be at a disadvantage compared with other international markets where transaction taxes are lower.

Barry Riley

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Fiscal signals stuck at amber

IN ALL the circumstances facing him, it was to be expected that the Chancellor would produce a sober Budget. In the event, from the watered wine to the Budget judgment, from the huge contingency reserve to the conspicuous absence of any helpful tricks with accruals or privatisation, it was quite conspicuously sober. Faced with a convalescent currency, swollen debt service and coal industry costs, and an outlook which is fairly satisfactory for real growth but less so for inflation, this caution is sensible and welcome.

We had hoped, however, that even within these constraints, Mr Lawson would have been able to push ahead with the process of radical tax reform which he started last year. In the event, we got a radical reform of the financing of national insurance; but as far as the tax system is concerned, he not only did nothing this year, but closed some important options for the rest of this Parliament.

This long-term caution was not expected, and it is not welcome. By freezing the structure of indirect taxation and of the tax allowances against retirement, Mr Lawson blocked any attempt at the kind of radical and logical reform now being debated in the U.S. The man who was an apostle of fiscal neutrality last year could not even bring himself to use the phrase this year. It seems a sad waste of drive and talent. Mr Lawson surely had more in mind when he embarked on reform than introducing fairer rules for married women by the end of the decade.

What Mr Lawson has subtly reformed is the central icon of the present government, its medium term financial strategy. Although the broad and narrow money targets remain in place, modestly tightened according to plan, their role is somewhat diminished. Quite explicitly, the underlying target is for the growth of monetary demand; more important, it is now a target and not a ceiling, so that less inflation will leave room for more real growth.

Central strategy

At the same time, the exchange rate is given a much more important role in deciding short-term interest rates. This is hardly an irrevocable commitment, since there is still no stated target for the rate; simply an abandonment of the old faith in unaided market forces. Some passages in the speech (and some charts in the official economic Red Book) seemed to be preparing the ground for British membership of the European Monetary System, but there was no mention of the EMS. Since one of the major objectives of adopting a medium term strategy is to influence the expectations of those who set prices and plan production in the private sector, this studied vagueness seems unhelpful.

Two other passages in Mr Lawson's economic exposition, on the other hand, marked a welcome advance. First, he has quite explicitly abandoned the setting of a long-term path for the public sector borrowing requirement, arguing correctly that the balance between fiscal and monetary restraint could be changed according to circumstances without damaging the central strategy. If this message can be hammered home, he will have won himself some valuable space for fiscal manoeuvre.

It was also good to hear Mr Lawson stressing the net cost, after savings in social security, of his proposals for longer training and the expanded community work programme. For far too long, ministers have talked as if they were unaware of this fairly elementary calculation, so that every pound for any measure of relief or investment must be found by an exactly equal cut elsewhere. Mr Lawson clearly knows that the financial cost of putting idle men and resources to work is much less than the gross headline figures. Here again he has laid the logical ground for a much more pragmatic approach in the future.

Tighter control

The one innovation in strategy which is at first sight puzzling was the enormous increase in the contingency reserve. The estimated spending outturn for 1984/85 suggests that apart from the costs resulting from the coal strike, public expenditure was under far tighter control than has been achieved before, with an overshoot of only £500m. For the current year, the high costs of restarting the coal industry, of debt service and of the disappointing level of unemployment will probably make the reserve necessary.

In the longer run, however, the coal industry should require less, rather than more, support as a result of the changes which the strike has accelerated —and real interest rates should fall to a more normal level. The sharp fall in the dollar in the past two days —a notable development which Mr Lawson did not mention—will, if extended, do more than any number of sermons from Mr Paul Volcker to concentrate the minds of the U.S. authorities on the need to reduce their deficit.

In other words, the swollen reserve for future years seems to reflect excessive caution rather than any solid reappraisal of the risks. Perhaps Mr Lawson simply wants to avoid making any more over-optimistic forecasts of the room for future tax cuts; the danger is that the spending departments may hope the reserve is there for spending.

The appearance, then, of permanent caution about the fiscal balance is a little deceptive. Mr Lawson still has room, within his stated strategy, to take action if real output performs worse or inflation better than he has forecast, and to deliver on his promise that a target for nominal demand is just what it seems—a target.

This is a possible gain for the future, should the need arise. Meanwhile, we have one highly important gain for the coming year. The graduated contributions for national insurance will make an important difference both to the cost of creating low-paid jobs and to the take-home pay of those who accept them. This is to be financed by removing the ceiling on employers' contributions, which will bear heavily on those companies where average pay is well above the ceiling. It seems worth paying.

This helpful reform is some consolation for the loss of radical promise which Mr Lawson seemed until yesterday to offer; but we cannot avoid a real regret that we are seemingly wedded to our remaining tax distortions, which are not unimportant.

The Cabinet is clearly rattled at the moment by a loss of grassroots support; the instinct which retreated on a sensible reform of student grants has now led to the preservation of such privileges as tax-free lump sums on retirement. Even the Bank of England can still mount an effective lobby; the short-term corporate bond market is to be opened, but not the much more important commercial paper market. There are still radical questions on the agenda; we can only hope that the forecast economic recovery leads to a recovery of nerve.

THE BUDGET: Analysis

ECONOMIC ASSESSMENT

A start on a jobs strategy

SOME BUDGETS achieve a dazzling impact but are soon forgotten. Others are subtle and difficult to take in at first sight, but grow both in impact and appreciation over time.

Nigel Lawson's second Budget could fall into the second category. Why only "could"? This is because its full impact both on jobs and on the efficiency of the tax system will depend on the way it combines with three other measures. These are: The Chancellor's own forthcoming Green Paper, which will suggest a transferable personal allowance whether single or married, which would, for the first time, provide real scope for a large rise in tax thresholds.

Secondly, there is Norman Fowler's forthcoming Social Security review. Thirdly, there is the Department of Employment's Paper due in a few days on the future of Wages Councils, in which abolition is one alternative — which I imagine was put in at the insistence of the Treasury and the Prime Minister's Policy Unit, whose advice the Prime Minister would be well advised to take more often.

Of the three follow-up measures, the abolition of wages councils will be much the most important if there is to be any chance of a reversal of the unemployment trend in the next year or two.

'Benign neglect' not an option for the UK

The recasting of National Insurance Contributions along more progressive lines, so that employers and employees both pay much less at the bottom, should provide an incentive to take on more of the young and less skilled people for whom unemployment is such a severe problem. The change in unfair dismissal procedure should help; and the rise in real tax thresholds will have some marginal effect in inducing workers to take less congenial jobs, notwithstanding everything that the Institute of Fiscal Studies says to the contrary.

But by themselves these measures will not be enough, either in quantity or psychologically. In conjunction with the abolition of wages councils, they might, however, just help to turn the tide. But to get them abolished will require a relentless struggle against bogus humanitarians of all kinds, with little help from the academic economics industry, taken en bloc, which for over a century has tried to obfuscate the commonsense effects of unions and pay on jobs.

(Genuine humanitarians concerned for the living standards of those in low-pay occupations will instead turn their attention to the social security White Paper, and be prepared to see the taxation or phasing out of benefits for those too well off to need them.)

The Budget has had several main aspects:—

● The statement of the Medium Term Financial Strategy with much less mumbo jumbo than normal. For the first time, fiscal monetary and exchange rate policy are all subordinated to the goal of maintaining total spending or nominal demand at a rate sufficient to maintain a long-term downward pressure on inflation, but also sufficient to finance more output and jobs if wage settlements are reasonably restrained.

● Subject to this last proviso there has been a reinstatement of demand management in nominal terms. For the first time since the IMF arrived in 1976 a British Chancellor has stated that undershooting of his financial objectives is as bad as overshooting; and that he will take policy measures to make sure that wage restraint does not lead to lower demand, if the economy fails to respond in the way the Treasury model suggests.

● The exchange rate—more in the Budget Speech than in the Red Book—has been elevated to a near-equal status with monetary and fiscal intermediate objectives. Although there is to be, rightly, no exchange rate targets in the crude sense, Mr Lawson stated very emphatically that whatever U.S. monetarists operating in a Continental economy may say, "benign neglect" is not an option for the UK. The projection of Government interest rate payments suggests a readiness to maintain higher interest rates to make sure that there is no inflationary downward pressure on sterling.

● Most important from the Treasury point of view, the Contingency Reserve for unexpected public spending has been raised by £2bn per annum for every year up to 1988/89. This is over and above the cost of the training, community jobs, and other labour market policies which are already allowed for within the planning totals.

The idea is to meet financial market criticism of over-optimism in Government spending projections. Over that £2¼bn of the spending overrun in the year now ending has been due to the miners' strike. There is now a chance of a decisive move to realism.

The price that has to be paid is an acceptance of a one-and-for-all rise of about 1½ per cent in real public spending and a drastic reduction in the fiscal adjustment (jargon for tax cuts) projected in future years. Indeed the adjustment disappears completely in 1986-87, and only reappears at £3½bn in the possibly pre-election year of 1987-88.

A subsidiary gain is that the Treasury will reduce the risk of over-optimism about tax cuts in the Autumn Statement. The danger, of course, is that spending departments will see the higher contingency reserve as an excuse for relaxing control. Against this the Iron Lady will have for once to live up to her reputation.

The Budget is meant to reflect the philosophy of the Chancellor's Mais Lecture last summer, in which demand management was assigned the long-term role of containing inflation, and the supply side measures of the job of maintaining output and employment performance.

Over a one-to-two-year horizon, however, demand and exchange rates do affect output and jobs — while prices are subject to various shocks, which cannot be eliminated by any sensible monetary policy.

The main reason for the expected temporary reversal on inflation, with price increases reaching 6 per cent by the summer and not dropping back to below 5 per cent until 1986, is not so much the fall in sterling but the rise in mortgage interest rates. These are an important element in the Retail Prices Index, although probably they should not have a part in any pure measure of inflation.

There is a less gloomy side. The fall in sterling has, the Red Book points out, increased "the price and cost-competitiveness of UK manufactures" by about 10 per cent in the past year, even allowing for the fact that labour costs are still rising above the rate of major competitors. Because of this last factor and the new policy of the support for sterling, some of this cost competitiveness is expected to be lost.

I suspect that this is a little too defeatist and that real output may rise faster than the 3½ per cent — or 2½ per cent corrected for the coal strike — which the Treasury expects this year and the first half of 1986.

Everything in the Budget adds up to a campaign in favour of fewer pay increases and more jobs, and I hope that the Chancellor's temperamental aversion for the words "Incomes policy" will not prevent him from launching it.

But it is impossible to close

Abject Cabinet surrender to pressure groups

without regretting the abject Cabinet surrender to interest group pressures on both the extension of VAT and the fiscal privileges of pension funds. Even what the Chancellor himself calls the "much-abused anomaly" of the untaxed lump sum payments (a pure tax avoidance device) stays. Mortgage interest relief was not even mentioned.

This makes it all the more important to tackle Wages Councils. For in my view a socially lop-sided introduction of market economics in areas which coincide with the Prime Minister's own instincts and prejudices is better than no move at all. But cowardice will be unforgivable.

Samuel Brittan

THE MTFS UP-TO-DATE

(Percentage increase)

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
M0*	5.7	5¼	3-7	2-6	1-5	0-4
£M3*	9.9	9½	5-9	4-8	3-7	2-6
Money GDP†	7½	6¾(8½)	8½(7)	6½	5¼	5

* 1983-84 percentage change during the year (mid-March to mid-March). 1984-85 percentage change from mid-February to mid-February.
† Percentage change on previous financial year. Figures in brackets for 1984-85 and 1985-86 are adjusted for the coal strike. Rounded to nearest ¼ per cent.

POLITICAL ASSESSMENT

Staking it all on the supply side

THERE IS an almost infallible rule about Mrs Thatcher's Government. When it is in trouble, especially economic trouble, it tends to stiffen rather than relax its policies.

That happened in 1981 when Sir Geoffrey Howe delivered one of his toughest budgets, clawing back some of the previous rises in public expenditure. It was unpopular at the time even inside much of the Conservative Party. Yet today it is seen as a landmark, particularly by Ministers closest to Mrs Thatcher. It was the budget that led to the economic recovery.

Mr Nigel Lawson's budget yesterday could be eventually regarded in the same way. It was not primarily a budget in the financial sense. It was much more about the workings of the labour market, about the supply side and the structural obstacles to economic growth.

True, the old emphasis on controlling inflation was still there—perhaps more strongly than ever given some of the recent blips in costs and the suggestions that the retail price index will climb again slightly before it resumes a more gentle course. So was the stress on containing public expenditure: the next public spending review later this year could be the toughest yet.

But it was not just a question of reliving 1981. This time everybody knew that a promise to reduce inflation was not enough, even if it is fulfilled. The Chancellor said it several times. "The defeat of inflation," he announced at the start, "essential though it is, is not enough. We must also do what we can to combat the scourge of unemployment."

It was the next sentence that will be the test in future. "Nor," he added, "is there any conflict between these two objectives."

Mr Lawson had the task of producing a credible strategy for employment without upsetting the financial markets. On the latter part he may have succeeded, but on the creation of jobs only time will tell. What should not be overlooked, however, is how far this was a Cabinet effort. The Government knows only too well that if it cannot reverse the unemployment trend in the next year or so, it will be judged to have failed.

Mr Lawson spoke in the first person, as Chancellors always do on Budget day. Yet there was also a different note scattered throughout the speech. There were references all over the place to what other Ministers would be doing or saying either later in the day or within the next two or three weeks.

Ministers were not consulted about the tax changes, perhaps even less so than in the recent past. But what can be seen is a concerted effort between the various departmental ministers concerned to get a package together on jobs, training and enterprise.

These are principally Mr Tom King at Employment, Mr Norman Tebbit at Trade and Industry, Sir Keith Joseph at Education and Science, and Lord Young, the Minister without Portfolio but with special responsibility for the 14-18 year olds, for training and for deregulation.

Certain themes run all the way through the budget statement: for example, the stress on high technology, research and development, and on engineering. The scientific research allowance to corporations remains at 100 per cent. There will be additional places in higher education for engineering and technology.

The theme of a better-qualified workforce is recurrent: hence the emphasis on the expansion of the Youth Training Scheme, and the appeal to employers, trades unions and school-leavers fully to co-operate. The reference to the unions may just indicate a new desire on the part of the Government to seek a new relationship after the miners' strike.

There is again the sign of a new urban programme, though not by the way of major public works. Instead the Chancellor has abolished the Development Land Tax. The aim here is clearly to stimulate urban development and to cut out some of the procedures which hold it up. Possibly it will encourage labour mobility. The expansion of the Community programme is probably also aimed as much as anything at reviving the inner cities.

More jobs for the young are promised through the possible abolition of the Wages Councils, a subject on which Mr Lawson was at his most dismissive. "Wages Councils," he said, "destroy jobs by making it illegal for employers to offer work at wages they can afford." Along with the proposed changes in the National Insurance Contribution, that is part of the attempt to price people into jobs.

Even the environment makes part of the package: heavy lorries will be subject to higher duties corresponding more closely to the amount of wear and tear they cause on the roads. That will please Tory MPs and suggests that the Government has a green streak.

The most notable omission is Mr Norman Fowler's reforms of the social services. The inquiries have been completed internally, but it is said that there was no time for the Cabinet to agree on the changes before the budget. They are now promised within the next two or three weeks.

Tax reforms will come later —after the Green Paper this year. This is not necessarily a retreat. The Chancellor said that the discussions will include closer integration between tax and benefits systems, so that tax reformers of all persuasions and political parties still have much to play for. It could figure prominently in the next general election manifestos.

Taken together, it may all look a bit messy in a Budget speech, though the Chancellor is to be complimented on his delivery. But it is also the outline of the bulk of the Government's programme for this Parliament. It is a series of micro, supply side measures which is what Mr Lawson and the Prime Minister believe in, and so do most of the people around them, like Lord Young. The Government's fate will depend ultimately on whether they bring down unemployment. A change of course has been firmly ruled out.

Malcolm Rutherford

Men and Matters

Don't count on it

Don't hold out too much hope for 21st century technology if purported examples of it on display at Japan's "Tsukuba Expo 85" are anything to go by.

The Expo organisers had been planning to keep an up-to-the-minute headcount of visitors by installing laser sensors in the entrance gates connected to what was optimistically called Tsukuba's "total information system." By Monday, the second day of the six-month Expo, it became clear that the system was more eccentric than omniscient, as it produced the startling proposition that while 51,662 people had entered the site, no less than 55,989 had left it in the course of the day.

Investigation suggested that the laser beams have proved unable to cope with the speed and bustle of the crowds passing through the Tsukuba gates. The technocrats have gone back to the lab in the hope of improving the system within a week or two. The visitor-counting process, meanwhile, has taken a couple of steps back from the frontiers of science — Expo officials are collecting and tallying ticket stubs by hand.

This triumph of tradition over innovation may bring some oblique satisfaction to Expo 85's Iranian participants who banned the fair's Japanese hostesses from their pavilion, claiming that the miniskirt uniform violated Islamic propriety.

The Iranians were apparently unmoved by Expo officials' arguments that the uniform, a silver, one-piece minidress with silver boots and a golden hat, is intended to "project an image of science and outer space." The Japanese have offered, by way of compromise, that hostesses to the Iranian pavilion might wear trousers under the miniskirt, and a headscarf instead of a hat—on the basis, perhaps, that outer space can get very cold and windy at times.

The Expo, with exhibits including a giant tomato tree, a 15ft robot, and radio-controlled tadpoles, already seems more surreal than scientific. This view seems to be shared by electronic information boards which, on Monday, greeted visitors arriving at Tsukuba with the words: "Thanks. See you again." So much for optical fibres.

Banking verite

Is there art after banking intrigue? Apparently the answer is, yes. From one of the late Roberto Calvi's closest associates comes word that a film is to be made about the late chairman of the failed Banco Ambrosiano.

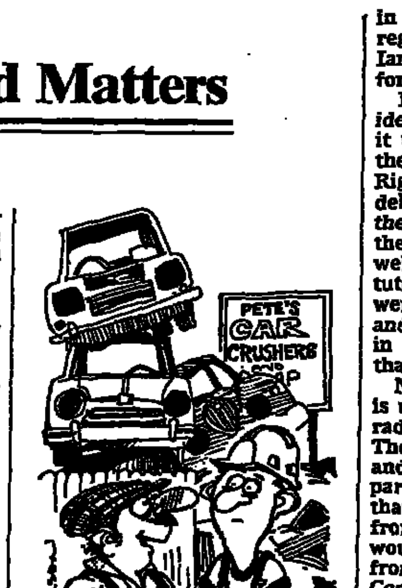
Flavio Carboni, a mysterious Sardinian property contractor, who organised the late Calvi's ill-fated flight to London in 1982, says he is acting as consultant on a $5m production which is tentatively called Blackfriars Bridge.

Carboni, who has just been released from custody in Italy after having been arrested for fraudulent bankruptcy, and questioned by magistrates, says the film will star Rod Steiger as Calvi and Dustin Hoffman as Carboni.

The elusive Carboni, who says he helped Calvi flee to London without a passport just before Banco Ambrosiano collapsed with $1.4bn of missing funds, refuses to say who is producing the film. It is a close-guarded secret.

And will Blackfriars Bridge tell the true story of how and why Calvi managed to end up dead, hanging from the scaffolding underneath that well-known bridge in the City of London with both bricks and currency stuffed in his pockets?

Carboni reports that the end of the film will be the same as the coroner's inquest in London —an open verdict.



"After the budget changes, we just stand here and the business will expand itself"

Left wheel

John Willman leaves a job as editorial director at accountants, Peat Marwick Mitchell, to become the Fabian Society's new general secretary — thus trading responsibility for publications on investment prospects in Venezuela, and UK company law, for slim, passionately reasonable pamphlets on Third World poverty and Tory employment legislation.

Willman, 35, went to Peat Marwick for "entrepreneurial experience" — an unfashionable quest on the Left, but perhaps an indication of how the political tide is flowing.

Before that, he had spent four years at the Inland Revenue Staff Federation in charge of publications and publicity; three years at "Money Which?" as a researcher (founding a National Union of Journalists' branch) and four years as a teacher at a girls' comprehensive school in Brentford.

Willman is the first to stress that he takes over a Society in good shape after a well-regarded two-year stint from Ian Martin, who leaves in May for Amnesty International.

He is unhesitating, too, in identifying his tasks: "I want it to carry its influence beyond the faithful. In the 1970s the Right commanded the public debate through institutes like the Centre for Policy Studies, the Adam Smith Institute as well as the old-established Institute for Economic Affairs. They were turning in solid research, and were much more successful in getting their ideas across than we were."

Now, Willman thinks, Labour is undergoing a substantial and radical rethink of high quality. The Fabians are part of that and will help to lead it. He is particularly encouraged to see that the rethink is "coming from quarters where you wouldn't have expected it — as from the Labour Co-ordinating Committee, and other people you imagined would never change."

Sitting target

When the operations of the four previously independent stock exchanges in New Zealand's main cities were merged into the New Zealand Stock Exchange, the word "regional" was added to the title of each existing exchange.

All are now known by their initials. Wellington is W.R.S.E. Christchurch is C.R.S.E.

Still unhappy about the move are members of the Auckland Exchange. They don't care for their abbreviation — A.R.S.E.

Jobbing builders

Jobbers Wedd Durlacher Mordaunt intends to expand its partnership from 65 to 105 to keep valuable staff following a wave of defections.

Wags in Throgmorton Street are suggesting that partners' lunches will now have to start at 9.30 am; and the annual partners v staff football match will have to be cancelled since the partners will outnumber the staff.

Observer

THE BUDGET: Analysis

NATIONAL INSURANCE

Easing the unemployment trap

SOME of the ferocious obstacles to getting employers to take on more low paid staff and making low paid work a worthwhile starting proposition for the young and unemployed are to be partially dismantled.

The principal tools will be a rearrangement of the national insurance payments by both employers and employees plus an increase in the income tax thresholds for standard rate taxpayers by twice as much as required by inflation.

This means it will be cheaper for employers to hire low paid staff and that once employed the low paid staff will be able to keep more of their earnings in their pockets.

This tackles some of the worst problems associated with the incentive to work argument and the unemployemnt trap. The poverty trap, which mainly affects low income families with children, will have to wait as the major and urgent sorting out of the interaction between the personal taxation and benefit system has been left until later.

The unemployment trap has been caused by the interaction of benefits based on unemployment pay and supplementary benefit which can make it less worthwhile to work, after expenses, than to take a low paid job. One of the problems has been that the starting point of tax is 30p in the pound. Currently employee national insurance contributions are 9p in the pound on every pound of earnings above £34.50 a week.

These payments cease over the upper limit of £250 a week. So for the low paid the effective rate of tax is 39 per cent. The loss of various benefits can take the marginal tax rate up so high that after fares have been paid the job is not worthwhile.

The changes will ease this situation and make it cheaper

National insurance rate changes will make it easier for low paid workers to be hired and leave them with more cash in hand

for employers to take low paid workers on but more expensive to take on high paid staff. Next month the lower earnings limit will be increased to £35.50 a week and the upper limit to £265 a week. But the upper limit for employers will be abolished, which means that employers will have to pay 10.45 per cent of employees' earnings for all higher paid employees.

However, the 10.45 per cent rate payable by employers and 9 per cent by employees on earnings at the low end, from £35.50 upwards, will be cut. For people earning between £35.50 and £55 a week the employer and employee will both pay 5 per cent on all earnings.

For those earning between £55 and £90 a week both will pay 7 per cent on all earnings; for those earning between £90 and £130 a week both will pay 9 per cent on all earnings. For people earning over £130 a week the rate for employees will, as now, be 9 per cent on all earnings up to £265 a week but the rate for employees will be 10.45 per cent on all earnings without an upper limit.

However, this does mean that everyone earning more than £55 a week still has a higher contribution rate than when the Government took office in 1979 when the employee rate was only 6.5 per cent.

The changes will make employer costs £3 a week less for anyone taking on a new worker at just under £90 a week. And if that worker is single his take-home pay will be about £3 a week more than now because he will pay £1.80 a week less in national insurance and £1.15 a week less in income tax.

These figures represent a sharp decline in the burden on the low paid—the total contributions for someone on £80 a week are cut by 30 per cent and for someone earning £50 a week the burden is halved. Only part of this gain will be lost through the increased expenditure taxes.

The self-employed also get some assistance. Their contributions (class 2) will be cut from £4.75 a week to £3.50 a week.

These changes are certain to attract widespread enthusiasm as they go a long way towards reducing the penalty for creating or accepting a low paid job which pays more than social security and which gets more people, particularly the young, into the job market where they can in theory progress to more highly paid work. They do not, however, go far in terms of overhauling social policy to alleviate the general lot of the poor.

Although the Chancellor's large increase in income tax thresholds will take 400,000 out of tax on an indexed basis, there is still a major poverty problem. The incidence of poverty is at its worst among families with children and the benefit most directly aimed at that problem is child benefit.

But this has been increased by only 2 per cent in real terms since the Government took office compared with the 20 per cent real term increase in tax thresholds the Chancellor proclaimed yesterday. There are 15m people, including 4m children, in families on low income (140 per cent of the supplementary benefit level) and 500,000 below the poverty line (supplementary benefit level).

So far, 45 per cent of the gains from the Government's income tax changes since 1979 have gone to 1 per cent of taxpayers while only 5 per cent have gone to the bottom 25 per cent. Taking income tax and national insurance together a married man with two children has to be earning well over £300 a week to have gained any overall benefit from tax changes since 1978-79. However if he earns 10 times average earnings (£93,000 a year) he pays 15 per cent less in tax and national insurance than in 1978-79.

Pensioners have also had a difficult time recently. Last year they lost heavily when their tax thresholds were raised only by inflation while those for people under pension age rose by more than 12 per cent.

The Chancellor partly made up for that yesterday by over-indexing pensioners' allowances as well as those for non-pensioners. This takes the single pensioner age allowance to £2,690 and the married allowance to £4,255. But to make up for last year's loss these figures would need to have been made £2,790 and £4.45.

The Chancellor has made a substantial start on the unemployment trap. The question now is whether Mr Norman Fowler, Social Services Secretary, can make similar advances on the poverty trap and poverty in general with his benefit reorganisations due to be announced after Easter.

Robin Pauley

INCOME TAX

Allowances increased by more than rate of inflation

THE CHANCELLOR has concentrated his tax cuts on the lower levels of earnings by increasing the single personal allowance and the married man's allowance by 5 per cent more than inflation to £2,205 (previously £2,005) and £3,455 (previously £3,155) respectively. At the higher earnings levels the thresholds for higher rates have increased in line with inflation but no more.

The higher rate bands are: £16,201-19,200 at 40 per cent; £19,201-24,400 at 45 per cent; £24,401-32,300 at 50 per cent; £32,301-40,200 at 55 per cent; £40,201 plus at 60 per cent.

Those entitled to age allowance have been less favourably treated with only a real increase of some 3 per cent over the rate of inflation to £2,690 for a single person and £4,255 for a married couple. The income limit above which the age allowances are reduced is increased from £8,100 to £8,800.

At low levels of earnings the changes in National Insurance contributions which take effect from October 1, 1985 may be more significant than the increase in allowances. The chart compares the effect of the changes for a single earner and two earner family: the dramatic increase for the two earner household is because the second income is assumed at a level of £2,500 and National Insurance will, therefore, be applied at the reduced rate of 5 per cent. The chart also demonstrates that the one earner family has not benefited to the same extent from the real increase in personal allowances in the last two Budgets. The longer-term reform in the structure of taxation of husband and wife with the suggestion of transferable allowances may be needed to redress the balance.

The significance of N.I.C. for disposable income is shown clearly by the figures for those on £15,000. It is at this level that the increase in rate and upper earnings limit over the past five years is most apparent. At higher levels of earnings the increase in incoming escaping N.I. and the reduction in the impact of higher rates of tax outweigh this.

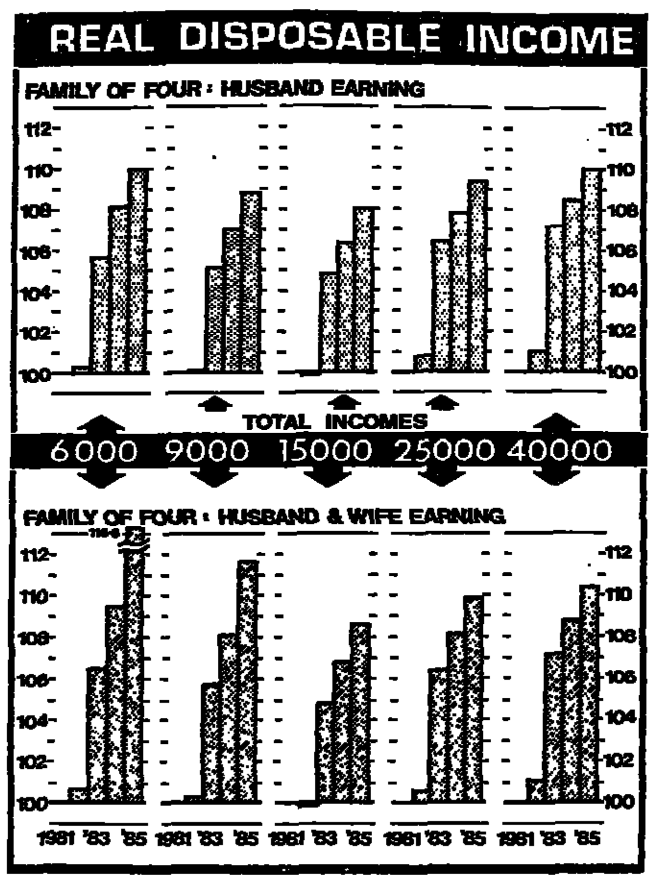
The charts illustrate the relative changes in disposable income at five income levels since 1981, and offer a comparison between the family with two children but only one earner and a similar family where both parents work. It is assumed that pay over the period has risen in line with increases in average earnings and the gross pay figures shown apply to 1985.

Disposable income has been calculated after income tax and national insurance contributions have been deducted and child benefit added. An increase of 5 per cent has been assumed in child benefit from November.

The resulting disposable income has been adjusted for inflation by the Retail Price Index to demonstrate the real spending power of the net incomes available in each year.

Malcolm Gammie and Frances Corrie

*The authors work in the National Tax Office at Thomson McLintock/KMG



These charts illustrate the impact of successive Budgets on the real disposable incomes of families at different levels. Incomes are affected by changes in tax rates, allowances and threshholds and National Insurance contributions. To represent real disposable income levels, earnings have been adjusted in line with changes in average earnings, and then deflated to take account of the rise in the Retail Price Index.

No allowance has been made for tax relief on mortgage interest or pension contributions.

The families are assumed to consist of a married couple with two young children. Where there are two earners, the second income is assumed to be, as a minimum, the amount needed to absorb wife's earned income relief, or, as a maximum, £6,000 per annum, with no election for separate taxation of wife's earnings.

CGT/CTT

Far-reaching future implications

AFTER EXPECTATIONS had been raised in the City that the Chancellor would either abolish capital gains tax (CGT) or at least reform it beyond recognition, the limited extension of the indexation provisions announced in the Budget appeared disappointing.

The long-term effects of the reform, however, are likely to be far-reaching. In fact, the Government's estimate of the cost of the reform to the Exchequer, and the benefit to taxpayers, of £155m in a full tax year, or 15 per cent of the total tax take, will probably prove much too low a figure by the end of the decade. In effect, it assumes no further increases in any real asset values.

The three changes announced in the indexation provisions were necessary to make effective the half-hearted attempt of the previous Chancellor, Sir Geoffrey Howe, to end the subjection of paper, and purely inflationary, gains to CGT.

Because of the restrictions he imposed in 1982 his concessions gave little relief to most investors and companies—and yet they increased enormously their compliance costs. Individual share transactions had to be identified, for example.

Although in 1983 some simplification was introduced for large institutional investors, nothing was done to tackle the causes of the complexities. These arose from the Inland Revenue's desire to block possible tax-avoidance loopholes and from the macro-economic pressures to prevent a major loss of revenue.

Mr Nigel Lawson now appears to have adopted a robust attitude to counter such objections and has been willing at last to spend the money required to make CGT inflation-neutral.

His first reform was to

The reform will do nothing to remove the worst distortion of CGT, which makes investors reluctant to sell

make the indexation provisions "symmetrical." This will allow nominal gains to be converted into real (inflation-adjusted) losses and nominal losses to be made larger, so that taxpayers will be able to offset them against any real gains they have.

The second change is to allow all capital gains to be index-linked even if the assets have been held for fewer than 12 months. The Revenue's main objection to such a concession was that it would encourage investors artificially to convert income into capital gains.

That objection was met partially by the Government's surprise move on February 28 against "bond-washing" which from next February will mean that the accrued income on bonds will be treated as income and not capital gains. For this reason, the second reform will not be applied to bonds until next February.

The change, however, means the taxation of all nominal interest and dividend income without adjustment for inflation has become increasingly anomalous and will become more difficult to justify particularly in inflation rises again.

The third major change applies to assets acquired before April 1982, from when the indexation provisions take effect. Previously the indexation allowance was applied only to the original cost of the asset and not to its market value in March, 1982, which in most cases will be far higher.

From now on, however, the March, 1982, value will apply. The only justification for the former rule, apart from government revenue-saving, was simplicity.

Now investors will have to obtain a valuation of their assets in March, 1982, which will often be difficult for real estate and personal items, although much less so than obtaining valuations of assets in 1965, which is sometimes also required by the current rules.

To take one example: the owner of shares bought in 1970 for £100, the value of which reached £1,000 on March 31, 1982, and which sell today will benefit from indexation allowance of £140 instead of £14 (if the Retail Price Index since March, 1982, has risen by about 14 per cent).

These changes will benefit in particular large institutional investors which have no annual exemptions and often have held assets pregnant with capital gains for many years.

This applies particularly to property companies and to insurance companies, although insurance companies had been hoping for something better from the Budget after last year's removal of premium relief, such as a complete exemption from CGT in line with unit and investment trusts.

The real advantage is that the longer such investors hold on to their assets now, the smaller the pre-1982 gains will be in comparison with those gains subject to the indexation allowance.

There will also be administrative savings as investors will be able to "pool" their shares, and not need to identify individual transactions. Some of the identification rules of 1982, however, will have to remain.

Thus the CGT reform will do nothing to remove the worst distortion thrown up by CGT, the locking-in effect which makes investors reluctant to sell or initiate change. On the contrary, it may worsen it. Nor does the reform give any relief to investors who will be taxed on the purely inflationary gains they made in the 1970s.

The fact that Mr Lawson has decided he was unable to tackle such issues despite of a year-long commitment to get to grips with the distortions and complexities of CGT makes any prospect for further reforms extremely dubious, short of a fundamental reform of the entire income-based system of taxing savings and investment.

Clive Wolman

JOB CREATION

Employers face major cost

EMPLOYERS WILL have to contribute substantially to the cost of the Government's decision to extend the Youth Training Scheme from one to two years.

The Manpower Services Commission is to carry out consultations with industry and other interested parties on the proposed expansion of the scheme by the end of June. Among the issues, on which Mr Tom King, Employment Secretary, has to be satisfied before approving the expanded scheme, is the share of the cost which will be borne by employers.

Mr Nigel Lawson, the Chancellor, confirmed that the Government expects industry's financial contribution to be a major one and added: "In the longer run we would expect employers to meet the full cost as those in other countries do."

He recognised that "such a major change in attitudes" would take time, and said that the Government was prepared to set aside fixed sums of public money to get things moving in theright direction.

The principle of a two year long YTS will be widely welcomed. It takes the UK a stage closer to the types of vocational preparation operating in other industrialised countries and holds out the prospect of eliminating unemployment for under 18 year olds.

But the consultation exercise is likely to prove controversial when the detailed arrangements are considered. The Government currently spends around £800m a year on YTS and is proposing to inject a further £125m in 1986-87 and £300m in 1987-88.

School leavers aged 16 will qualify for two years on the scheme and 17 year olds one year. The Government hopes the new arrangements can be agreed quickly enough to benefit as many young people

The principle of a two-year long YTS will be welcomed

as possible joining YTS this year.

Youthaid, the young people's charity, calculates that a doubling of the scheme will require an additional 135,000 places, at short notice. It fears that time constraints—and financial constraints—will lead to an emphasis on quantity rather than quality. The charity said last night that it also remains suspicious that Ministers may be considering withdrawing all supplementary benefit, from unemployed young people who refuse to take part in the scheme.

Many of the best existing YTS schemes already benefit from employers investing substantial resources of their own to augment MSC funding. Ministers want to see an increase in this approach—research shows that employers in other countries spend far more than those in the UK on training both young and adults.

Mr Lawson also announced yesterday a substantial increase in the size of the Community programme, for the long term unemployed. This scheme provides up to a year's work, much of it part time, on activities of public benefit.

Under the proposals announced yesterday, the scheme will increase from 130,000 to 230,000 places by June 1986. The new places will be available to 18-24 year olds who have been out of work for at least six months and older people who have been unemployed for a year.

Recent surveys suggest that experience on the community programme increases unemployed people's chances of subsequently finding work. To pay for the expansion of the scheme the Government will provide an extra £140m in 1985-86 and £460m in 1986-87.

But the net cost to the Government of YTS and the community programme—particularly the latter—is substantially below the gross figures because of savings on supplementary benefit. The net increases in resources, as a result of Mr Lawson's announcement yesterday will be £75m in 1985-1986, £300m in 1986-87 and £400m in 1987-88.

The death of the Young Worker Scheme, which has been made redundant by the decision to introduce a two year YTS, was also confirmed yesterday. This scheme, which provided employers with Government subsidies in return for taking on 17-year-olds at modest rates of pay, was designed by ministers in an attempt to encourage lower youth pay rates.

It has been unpopular with trade unions and has had a very high level of deadweight—with the subsidy being paid for young people whom employers would have recruited anyway. The scheme will close for application in March next year.

Mr Lawon indicated that the Government believes one of the achievements of YTS is that it has helped make young people's pay expectations "more realistic" although the Government clearly intends to pursue further action in this area through its proposed review of wages councils.

Mr King said last night that the YTS and community programme developments would lead to more than three quarters of a million places being made available for young people and the long term unemployed, and meant that unemployment need no longer be an option for under 18 year olds.

Alan Pike

FINANCIAL TIMES

Wednesday March 20 1985

WIDER POWERS SOUGHT FOR EUROPEAN PARLIAMENT

EEC may abolish power of veto

BY QUENTIN PEEL IN BRUSSELS

REPRESENTATIVES of the six founder-members of the EEC are recommending abandonment of the formal veto right of member states on Community decisions, in an important move intended to speed up progress towards European union.

Their proposal to the 10 heads of government meeting in Brussels next week leaves the late entrants – Britain, Denmark, Greece and Ireland – in a minority seeking to defend the rights to block new moves by pleading a "vital national interest," enshrined in the so-called Luxembourg compromise.

Seven of the 10 are also in favour of a substantial increase in the powers of the European Parliament to include shared decision making with the EEC Council of Ministers, and responsibility for decisions on revenue as well as expenditure.

A majority of eight, including Britain but excluding Ireland and Denmark, is also seeking an important extension of EEC consultation and joint attitudes into the field of defence and security, as well as political co-operation.

The recommendations of the Dooge Committee, made up of personal representatives of the EEC heads of government and charged with producing a blueprint for the long-range future of the Community and its institutions, were finalised last week for presentation to the forthcoming Brussels summit.

Seven of the 10 committee members back the final conclusion to set up an inter-governmental conference to draft a new European Treaty to replace the Treaty of Rome. The British, Danish and Greek representatives are again in a minority seeking to leave the choice of strategy to their political leaders.

The final draft of the report, an interim copy of which was submitted to the Dublin summit last December, has signally failed to bridge the gap between the member-states. It leaves Denmark and Greece profoundly sceptical of moves towards institutional reform and European union, Britain decidedly lukewarm and Ireland wavering – in comparison with the overt commitment of the six founder-members.

The dropping of any mention of the veto-right embodied in the Luxembourg compromise was done on the proposal of M Maurice Faure, the representative of President François Mitterrand of France, in spite of the fact that it was originally introduced into EEC practice at French insistence. Instead, the majority report calls for "the adoption of the general principle that decisions must be taken by a qualified or simple majority," and suggests that unanimity be required only for a limited list of "exceptional cases."

Mr Malcolm Rifkind, the British representative and Minister of State at the Foreign Office, backs the minority report, with his Greek and Danish counterparts supporting the idea of more majority voting, but insisting on specific provision for a state to plead vital national interest if necessary.

Senator Jim Dooge, the Irish committee chairman and former Foreign Minister, has also inserted his own reservation on the majority report that it does not explicitly provide for the effective veto right.

On the question of the powers of the European Parliament the majority supports a proposal for joint decision-making, whereby proposals by the European Commission would first be submitted to Parliament for debate and amendment, before being passed to the Council of Ministers.

Mr Rifkind argues that Parliament should make more proposals, but stops short of the idea of sharing decision-making powers currently reserved by the member governments.

Mr Ostrom Moller, the Danish representative, has an overall reservation on all the proposals for institutional reform on the grounds that what is needed is the existing Treaty of Rome being properly implemented, not changed.

On the question of co-operation on defence and security, the report goes considerably further than the December draft, calling for discussion of the nature of external threats and discussion of issues such as developments in weapon technology and strategic doctrines, as well as progress in arms control talks, within the framework of political co-operation.

It repeats a plan to set up a permanent secretariat to co-ordinate political co-operation, with more frequent meetings of officials as well as ministers to discuss and where possible adopt "a common external policy."

Ireland has a specific reservation on the section on defence and security, and Denmark on the range of proposals to formalise political co-operation, but in this case, Britain is a staunch supporter of the majority line.

Herr Gerhard Stoltenberg

German venture capital plan set to go ahead

By Rupert Cornwell in Bonn

HERR Gerhard Stoltenberg, the West German Finance Minister, is expected to win Cabinet approval before the end of this month for a draft Bill governing the stock market flotation of venture capital companies.

The aim is to help channel new funds to promising small or newly-established companies.

The Bill carries a stage further the centre-right coalition's strategy of reviving the country's bourses and fostering the kind of flexible, technologically innovative concerns widely regarded as vital to the economy.

Full details of the measure have not been disclosed. The new companies will, however, be given substantial tax concessions while being subject to measures designed to make them as safe an investment as possible for the ordinary shareholder.

The venture capital enterprises will have to invest in a minimum number of companies – probably 10 – and will only be able to raise fresh funds by the placement of new shares.

In this way, the Government hopes to meet what it believes is a growing appetite among ordinary West German share-buyers for less laid investments, whilst ensuring that the risk is diluted by being spread over a variety of beneficiary companies.

According to senior Ministry officials yesterday, the venture capital companies will, in principle, not be allowed to hold a stake of more than 50 per cent in any of their "client" concerns.

This rule will only be waived in the case of newly-established companies, and then only for a maximum period of 10 years.

The hope is that venture capital subsidiaries will be created by a range of institutions, ranging from banks and savings banks to chambers of commerce. They will be subject to strict disclosure and reporting regulations, again so that investors will be better able to guage the risk they are taking.

The Ministry is, however, refusing to put a figure on how many such venture capital companies may be floated as a result of the new Bill.

Ex-minister faces trial, Page 2

Industry 'to boost spending'

By Jonathan Carr in Frankfurt

WEST German industrial investment this year is likely to exceed forecasts, buoyed by improved earnings in 1984 and good sales prospects.

The Bundesbank's March report, released today, shows company income rising rapidly last year and costs – including wage costs – fairly stable.

While gross entrepreneurial income rose in the second half of 1984 by a (seasonally adjusted) 9.5 per cent against the first half, gross income from wages and salaries was up by just 2 per cent.

Against this background of greater earnings power and stronger demand, especially from abroad, companies increased spending on new machinery and equipment by 10 per cent in the second half.

This year should see a further upswing, the Bundesbank says, with many companies evidently revising upwards the investment expenditure plans they laid only a few months ago.

It also notes that better use of capacity has allowed enterprises to more readily spend money on expanding plant, alongside their investment in modernisation and rationalisation.

The central bank warns on costs this year, however. Firstly, the strong dollar was raising the price of imports, especially of raw materials and energy; secondly, the accord on the shorter working week reached last year in the key metal-working sector would work through to push up wage unit costs in 1985.

THE LEX COLUMN

A budget for sterling

The Gladstonian budget box was remarkably empty when Mr Nigel Lawson opened it yesterday afternoon. As last year, the UK Chancellor of the Exchequer began his speech with grand strategic considerations – and some of the same talk about fiscal reform – yet he finished without embracing much more than the negative virtues of a tight policy.

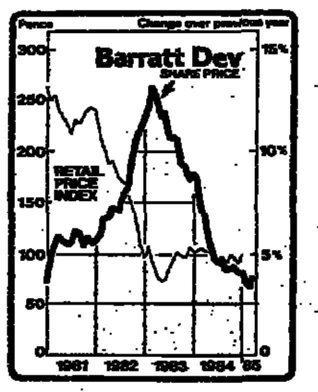
If that means months of double-figure interest rates, and no more devaluation-led export growth, the London markets may find the going heavy.

Benign neglect of sterling is not now an option, a confession which suggests that it previously had been. If the Chancellor's aim was to reassure the London markets as to his anti-inflationary faith, he stood a good chance of success. Fears – and hopes – of a thoroughgoing attack on the tax system can now, however, be shelved. Green papers on income tax and benefits are promised, but even that subject has now been pushed out to the wilderness beyond most people's planning horizon, while VAT is now explicitly off the agenda until after the next election.

Fiscal tightness has indeed been rammed down the market's throat. The addition of £2bn to an already large contingency reserve should satisfy all but the most Victorian hard-liners, since it potentially converts a tight PSBR of £7bn into a really constricting £5bn; if this additional reserve is indeed spent – as most people rather assume – damage to the Chancellor's credibility could nevertheless be considerable. Sceptics are saying that he must either have reckoned on a repeat of the miners' strike, or on giving way to spending departments the length of Whitehall.

There is also an implicit tightening of monetary policy. By dropping the target band for sterling M3 by a whole point – as previously advertised – Mr Lawson is leaving almost no room for inflation. If the target is adhered to, and the growth of nominal GDP is at the 8½ per cent envisaged, even the admitted average inflation of 5 to 6 per cent is being squeezed against the top of the tunnel.

Emphasis on the supply side of the economy came down to a revamping of the national insurance scheme, together with an entirely unsurprising over-indexation of personal allowances at the lower end of the income distribution. The objective of making it more attractive to employers to hire labour at



low wages is reasonable enough; so is the complementary aim of increasing the net value of a given nominal wage to the worker. Between them these moves should create a number of marginal jobs in retailing, and in other sectors where labour is at the Chancellor's favoured "no-tech" level of sophistication.

Yet the improved trade-off between low and high wage employment will seem very questionable economics to high-wage and high productivity enterprises, at whose expense the alteration is being made. The economic value of Eurobond dealers or stockbrokers on six figure salaries bears no relation, anyway, to what they have been paid – as the banks who are picking up the payroll increasingly discover. Once an extra 10 per cent is added on in graduated contributions, the City of London wage structure could disintegrate even more rapidly than second-tier stockbrokers after the Big Bang. While stores and perhaps some construction companies may gain, case by case it is not clear cut, and the penalties on high-wage service companies could well erode the advantages they got from the heady corporation tax reforms of 1984.

Whereas the City did not get a wholesale abolition of stamp duty, months of lobbying against taxation of pension funds appeared to have paid off – however the Chancellor may try to deny it. No wonder life companies were the sector of the hour yesterday afternoon. The minor attention given to the intricacies of CGT indexation will no doubt unlock some of the faded capital gains of the years before 1982, mainly in pesonal hands, but will not compensate the professional bondwashers of the gilt-edged market.

In a budget that was remarkable for what it left out, there was also much predictable milking of traditional cows. The punitive increase in tobacco excise was probably discounted in advance, though perhaps not the Chancellor's partiality for Scotch. As for VAT on newspaper advertising ... no comment.

Barratt

For the second year running, Sir Lawrie Barratt has chosen to compete with Britain's Chancellor of the Exchequer. To have hit on budget day 1984 to reveal the first drop in Barratt Developments' profits since a fall in 1977 was bad enough; yesterday's performance was, if anything, worse.

This is not because yesterday's six-month figures to December were awful though they were. What happened was that Barratt somehow convinced a distracted City that it might maintain its 1985 dividend. At 78p, up 12p on the day, the shares yield over 14 per cent prospectively. Were the final dividend cut, as it should have been last September, the shares at this level would yield less than BP, which seems a better investment.

By no stretch of the imagination can Barratt make the £20m before tax that would cover a maintained dividend for the year. It will probably make half that figure, since the first two months of the second half have played havoc even with year's reduced target of 12,000 houses sold, and the interest charge can scarcely fall below £20m. Barratt's dollar borrowings, at £80m, exactly equal its first-half U.S. turnover which is odd business even by Californian standards – and the sale of Creekside, which might remove £30m, is unlikely to proceed before June.

The dividend decision will be made on the basis of next summer's trading. But so speedy a recovery in earnings looks implausible. Barratt, which showed great skill at packaging first-time house purchases in a period of high inflation, is now branching out into a highly competitive second-time market where its gimmicks will be that much less attractive.

There remains bid speculation. No doubt Barratt will be vulnerable, so long as its share trades at half stated net asset value, but any second-time buyer of Barratt would do well to consider such contingent liabilities as a promise to buy back 5,000 houses from next year. Nor could he hope to reap Barratt's skill at marketing, which now looks a little desperate.

Opec monitoring may focus on exports

BY DOMINIC LAWSON IN GENEVA

EXPORT SALES, rather than overall production, are likely to become the Organisation of Petroleum Exporting Countries' main method of monitoring members' compliance with output quotas, as a result of the efforts of an international firm of accountants to audit the organisation's adherence to its rules on output and prices.

Yesterday, six Opec ministers, chaired by Sheikh Ahmed Zaki Yamani of Saudi Arabia, met in Geneva to assess the initial findings of Klynveld Kraayenhof, an international Dutch-based firm of accountants. The firm was commissioned by Opec last December when the Organisation was deeply concerned that it had not been receiving adequate information about members' pricing and output.

In the initial stages, the auditors have been attempting to discover whether Opec members have adequate means of estimating their own sales volumes. If so, then the auditors can in future tell Opec meetings that the sales figures given by member countries are true accounts. So far, the firm is believed to have visited Saudi Arabia, Kuwait, Venezuela and Indonesia.

The firm is concentrating on export sales because these can be monitored relatively easily at loading terminals, ports and through tanker movements. Also, Opec realises that it is its exports rather than output which are the key to its influence on world prices.

The effect of the auditors' work is also likely to lead eventually to Opec evolving a system of controlling output of refined products and condensates, both of which are growing elements of the organisation's hydrocarbon output. This is because the auditors are empowered to monitor sales of both refined products and condensates (a type of ultra-light oil). Currently, output of condensates and products are not controlled by Opec although they have a direct impact on world oil prices.

The auditors have also been commissioned to investigate prices, but Opec is much less confident of making progress in this area. The proliferation of complex barter deals and carefully disguised discounts make an unqualified set of Opec pricing accounts most improbable.

The five ministers from the newly-formed ministerial executive council – Sheikh Yamani, Prof Tam David-West of Nigeria, Dr Arturo Grisanti of Venezuela, Dr Mana Saeed al Otaiba of the United Arab Emirates, and Dr Subroto of Indonesia – were joined by Sheikh Ali Khalifa al Sabah of Kuwait who originally proposed the auditing system.

The meeting, which is expected to end today, is also likely to discuss Britain's decision to abolish its state trading and price setting arm, the British National Oil Corporation (BNOC). Although this move had been expected to cause a diplomatic rift with Opec, the organisation has not yet reacted clearly to the announcement. Dr Subroto said yesterday that the decision would remove a "destabilising force" from the market.

Nevertheless, there is great concern within Opec over the possible reaction of Nigeria, which sells oil of a similar quality and in the same markets as the UK. In the short term, Nigeria need not react because BNOC is likely to announce an unchanged price of $28.65 for Brent, the UK marker crude. But the clear intention of the UK to move to a more spot-related pricing system is likely to force Nigeria to follow suit, thus opening up a recently healed rift in Opec's fragile pricing structure.

Opec's March output is estimated to be running at 15.8m barrels a day (b/d), within the 16m b/d output ceiling.

● Algeria yesterday announced a cut of $1 to $29.50 in the price of its Saharan Blend crude oil. This has had no effect on the market, however, because Algeria was already selling the oil at lower prices and had retained the old price because of the role the official price played as a component in the pricing of Algeria's natural gas contracts.

Spot oil prices, Page 40

UK budget tightens financial reins

Continued from Page 1

In a strong reaffirmation of the central role of the medium-term financial strategy in the Government's economic policy, the Chancellor announced a tightening of its money supply targets over the next financial year.

The aim was to squeeze out what he expects to be a temporary rise in inflation to about 6 per cent during the summer, bringing the annual rate down to 5 per cent by the end of the year.

"The strategy was first launched five years ago next week. Our commitment to it remains as firm today as it was then," he said.

The Treasury intends to keep the same two targeted measures of the money supply – the broad measure, sterling M3, and the narrow measure, Mo – as in 1984-85. But the target ranges will both be reduced by 1 percentage point to give 5 to 9 per cent and 3 to 7 per cent respectively.

The targets apparently imply a significant tightening of monetary policy. But officials in Whitehall, while acknowledging that policy would be more stringent, last night pointed out that the much smaller PSBR envisaged for 1985-86 would mitigate part of the impact on interest rates.

Mr Lawson emphasised in his speech that UK interest rates – banks' base lending rates are 14 per cent at present – would be kept at the level needed to bring down inflation.

The Chancellor, clearly conscious of the confusion over government policy during the steep fall in the pound's value earlier this year, went out of his way to stress his concern over any sharp swings in the exchange rate.

"Significant movements in the exchange rate, whatever their cause, can have a short-term impact on the general price level and in inflationary expectations ... so benign neglect is not an option," he told the House of Commons.

Mr Lawson struck a less reforming note than in his first budget presented last year.

Commenting afterwards, Mr Lawson admitted he had been "extremely boxed in and extremely confined. I had to do the most good on the inflation and jobs front with the limited scope I had."

Mr Neil Kinnock, leader of the opposition Labour Party, called it a "stalemate budget." He protested that at a time when the true number out of work was in the region of 4m, the Chancellor's response had been to "turn his back" on them.

He said that the ruinous cost of maintaining unemployment at its present level was the greatest single factor in blocking the Chancellor's plans for ensuring durable growth, stability and confidence in Britain.

Sharp increase in cost of aromatics

BY TONY JACKSON IN LONDON

THE COST of aromatics – key intermediates used by the petrochemicals industry – is rising sharply, largely because of impending U.S. legislation on lead-free petrol.

Aromatics – benzene, toluene and the xylenes – are basic materials for a wide range of products, including nylon and polystyrene. Toluene and the xylenes are also used to increase the octane level of petrol.

Plans by the U.S. Government to ban lead in petrol have been made definite within the past few weeks. By July 1, the allowable amount is to be reduced from 1.1 grammes per gallon to 0.5g, and by the end of this year to 0.1g.

U.S. producers are increasingly adding toluene to the petrol blend to replace lead as a means of restoring the octane level.

Since toluene is also a major source of benzene, increased demand for toluene from petrol producers has reduced availability of toluene and benzene for the petrochemicals industry.

The price of benzene in the U.S. is now $1.30 a gallon, an increase of around 20 per cent over eight weeks. The forthcoming European price in April is DM 1,275 ($390) per tonne, an increase of nearer 25 per cent.

There has also been a reduction in supply, as well as increased demand. The cold weather in January which affected ethylene production in Europe also reduced aromatics output, and both Sohio and Shell have suffered severe production difficulties in the U.S.

In addition, a large Saudi Arabian plant has just come into operation manufacturing styrene, which combines ethylene and benzene, and is buying its benzene on the open market.

European proposals to limit lead in petrol are expected to take longer to implement than in the U.S. It is believed by the chemicals industry, however, that the switch to the use of aromatics by petrol producers could lead to sustained pressure on prices in the medium term.

U.S. to aid Argentina

PRESIDENT Ronald Reagan yesterday pledged to help Argentina tackle its economic and financial problems, but made no commitments to any specific new form of U.S. aid, Reginald Dale writes from Washington.

At a White House meeting with Sr Raul Alfonsin Mr Reagan congratulated the Argentine President on tough austerity measures his government was taking, but a senior Administration official said the U.S., with the IMF, remained concerned by the country's 800 per cent inflation rate.

Arriving at the White House for only the second state visit by an Argentine President, Sr Alfonsin said Argentina was ready to make "the necessary sacrifices" to restore its economy, but he would stop short of condemning the neediest citizens "to extreme poverty, to misery."

Sr Alfonsin has said that he expected his Washington visit to be dominated by discussion of his country's $48bn foreign debt and the conflict in Central America.

U.S. officials said Sr Alfonsin and Mr Reagan agreed a political solution should be found to the problems of Central America, based on the acceptance of "democratic pluralism" by the countries of the region.

Sr Alfonsin told Mr Reagan the Falklands dispute remained a matter of great concern to his Government and he hoped to resume negotiations with Britain to arrive at a solution. Mr Reagan was non-committal on the issue, the senior official said.

The senior official said both leaders had remarked on the recent habit of Sr Daniel Ortega, the Nicaraguan president, of attending Latin American presidential inaugurations in uniform rather than civilian clothes. It was "unusual for an elected president," the official said – apparently trying to suggest that Mr Ortega did not consider himself a democratic leader.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
[illegible]															

Readings at mid-day yesterday.
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

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Carter Hawley Hale profits down 37% after asset disposal

BY WILLIAM HALL IN NEW YORK

CARTER HAWLEY Hale, the big U.S. department store group which fought off an unwelcome takeover bid from The Limited Store group last year, has reported a 37 per cent drop in its net income from continuing operations to $28.2m for the year to February 2 1985.

The group's full-year earnings from continuing operations, before interest, tax and other operating income, rose 3 per cent to $154.9m while sales rose by a fifth to $3.8bn. Interest expenses rose by $24.9m to $117.2m in the year.

Mr Philip Hawley, the 59-year-old chairman of Carter Hawley, whose 369 stores range from Neiman-Marcus to Bergdorf Goodman, says that the year was an eventful one and, largely as the result of a number of unusual transactions, "a confusing one to interpret."

The company's results were affected by the sale of the Waldenbooks division and the issue of $300m convertible preferred stock to General Cinema to fight off The Limited's takeover bid.

Mr Hawley says that because of such transactions he believes that earnings from operations before interest give the best indication of the company's performance.

In the fourth quarter, the group's operating profits on this basis rose by 20 per cent to $77.9m, but the figures were boosted by a $17.9m last-in-first-out credit. The company says that its fourth quarter was hit by intense promotional activity and price reductions.

Mr Hawley says that the group's performance over the past six months on an operating basis has shown a strong improvement. He expects 1985 to be a year free of major distractions and says: "We feel very good about our prospects."

The company's shares, however, have fallen sharply since last April when The Limited made a $35 a share offer for the company. Yesterday they were trading at $25½.

As part of its successful bid to stay independent, Carter Hawley is paying $30m a year in preferred dividends to General Cinema.

UK house builder's profits dive 78%

By Joan Gray in London

BARRATT Developments, Britain's biggest housebuilder, yesterday reported a 78 per cent plunge in first-half pre-tax profits and warned that results for the full year would also be disappointing.

The company blamed the £15m ($16.6m) fall in profits to £4.1m on "high interest rates, the economic problems of unemployment, the long miners' strike and adverse publicity."

The results fulfilled the London stock market's worst expectations. However, Barratt shares rose 12p on the day, to close at 78p, as investors responded favourably to the maintenance of the interim dividend and prospects for recovery in 1986 outlined by Sir Laurie Barratt, the company's chairman.

Sir Laurie said the company was completely changing its product mix, with a shift away from the cheap homes for first-time buyers it pioneered to the more affluent end of the market. This, coupled with a stabilisation in demand for Barratt homes and savings from rationalisation, should be reflected in a recovery in the next financial year.

In the six months to last December, Barratt had pre-tax profits of £4.1m on turnover of £272m, compared with profits of £19.1m on turnover of £259m in the corresponding period of 1983. There was also a £3.9m extraordinary debit to cover payments of back tax.

However, the company is declaring an interim dividend of 2.31p, the same as last year, on the grounds that dividend policy "should not be based on the results of a single exceptional and unrepresentative year."

The company built and sold 5,350 houses in the UK in the half-year, making a total of 12,150 houses for calendar 1984. This compares with a total of 16,000 in the previous year.

Details, Page 28; Lex, Page 24

Nancy Dunne looks at the ill-fated ventures of a billionaire family

How silver lost its shine for the Hunts

W. Herbert Hunt, left, and his brother Nelson Bunker Hunt being sworn in as witnesses before a House subcommittee investigating the collapse of the silver market.

DO Nelson Bunker and William Herbert Hunt now know their net worth?

Once asked for a figure before a congressional committee investigating their alleged attempt in 1979-80 to corner the world silver market, they replied that any man who knows how much money he has, hasn't got very much.

Since then, the family's wealth – once estimated to comprise assets worth $5.5bn – has fallen considerably. The ill-fated silver venture reportedly cost more than $1bn, and the Hunts' various commodity concerns, the cornerstone of the family fortune, are in deep trouble.

Last week, Hunt International Resources' three sugar refining subsidiaries, up for sale for months, filed for court protection from creditors under Chapter 11 of the U.S. bankruptcy code. While company officials said they would try to resume operations under court supervision, they will also seek authorisation to sell the remaining assets.

The filing marked the end of a two-year struggle by the huge sugar processing and oilfield services conglomerate, which reported to the U.S. Securities and Exchange Commission last month that it was in default on up to $295m in debts.

Hunt International, owned by the trusts of Nelson and W. H. Hunt and their children, began suffering large losses three years ago with the decline in silver prices, offshore oil drilling and land development.

Its main creditors, First National Bank of Chicago and Bankers Trust of New York, have already written off huge losses and will claim any proceeds from the sale of assets, now reportedly under negotiation.

The company also owes $26m to sugar growers under a production contract, and, as of last September, had an unpaid government bill of $92.7m in connection with price support loans.

Last year another Hunt subsidiary, Great Western United, went into voluntary bankruptcy and liquidation.

The number of private and government legal proceedings against the high-rolling Hunts has been proliferating. Five years after the silver episode, the Commodity Futures Trading Commission last month charged Nelson and W. H. Hunt and seven co-speculators with illegally manipulating the silver futures market to drive up the price.

The brothers still claim that they were victims of exchange officials who changed margin requirements and that they will be vindicated. But if found guilty, the brothers face fines reckoned at about $1m, and they may be forever barred from the U.S. futures markets.

Private investors, who lost money as silver prices climbed to $50 an ounce before diving, are still demanding retribution in a New York district court.

The internal revenue is attempting to collect more than $200m in back taxes. The Hunts have taken the offensive, filing several lawsuits contesting the claim.

Hunt International faces about a dozen lawsuits, including one brought by holders of $28m of debentures, which alleges that the company wrongly diverted $38m for the benefit of its parent, Planet Investment. Four Hunt International Land Development subsidiaries last year filed for bankruptcy, saying they could not deal with $270m of claims.

The descendants of the late oilman H. L. Hunt, meanwhile, have been carving up the family fortune. In 1983, two sisters took some assets and liabilities of the Hunt's Placid Oil, leaving the company to brothers Bunker, Herbert and Lamar.

It was Placid's assets which secured the $1.1bn loan to bail the brothers out of their silver dealings, a loan believed to be due in 1990. Placid is thought to be worth at least $1bn and to possess a potentially lucrative strike in the Gulf of Mexico.

However, prospects are less rosy for the brothers' Penrod Drilling Company, which operates a fleet of offshore rigs. Offshore prices are down, and a large number of the rigs are said to be unused.

The Hunts have been slowly liquidating other assets. The same brothers who shrugged off losses, saying a billion isn't what it used to be, may well be watching with concern as losses in the measly millions mount.

Lockheed to widen industrial base

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

LOCKHEED, the U.S. aerospace conglomerate involved in missiles, space activities, aircraft, shipbuilding and other activities, plans to expand its industrial base into new areas and to increase its non-military turnover.

Mr Roy A. Anderson, chairman and chief executive officer, is in the UK this week with senior officials of the organisation to discuss the corporation's long-term plans with financial analysts and others.

In 1984, the Lockheed group achieved net earnings of over $344m on a turnover of $8,113m. That compared with earnings of $263m on turnover of $6,490m in 1983.

Mr Anderson said yesterday that Lockheed's plan was to expand its overseas sales from the current 12 per cent of turnover to about 20 per cent by the end of this decade while expanding its commercial sales to about 8 per cent of total turnover.

Currently, most of the corporation's business is in military aircraft, missile and space activities for the U.S. Government and its agencies. Commercial activities, through civilian sales of Hercules and other aircraft and through shipbuilding and other activities, are small.

Mr Anderson said Lockheed was anxious to change the balance of its activities.

Lower overheads help Levi Strauss recover

BY OUR FINANCIAL STAFF

LEVI STRAUSS, the U.S. jeans producer, saw a sharp recovery in profits as a result of improved sales of men's denims in the U.S. and lower overheads.

Net profits for the first quarter to February 24 were $13.6m, or 37 cents a share, up from $10.9m, or 28 cents, a year earlier. The latest figures contrast with net profits of just $1.68m, or 5 cents, in the fourth quarter of the year ended November 25, when earnings plunged from $194.5m to $41.4m.

Sales in the latest quarter slipped from $533.8m a year ago to $518.2m. The profit figures in the latest period include an after-tax charge of about $5m, or 14 cents, for consolidation of the company's European business.

Levi was hit last year by the move away from traditional denims. Citing a strong dollar and falling sales, it introduced cost-cutting measures, including the shutdown of 19 production operations and 5,000 lay-offs.

The company said first-quarter sales for its jeans division slipped 3 per cent from the comparable period to $285.2m.

Arco moves to block takeovers

BY OUR FINANCIAL STAFF

ATLANTIC Richfield, the Los Angeles-based oil group, has become the latest U.S. oil company to seek shareholder approval for a number of anti-takeover measures.

Arco, presently incorporated in Pennsylvania, said it would propose at its May 7 annual meeting to re-incorporate the company in Delaware by merging into a wholly-owned subsidiary.

Arco said one of the major advantages of the re-incorporation would be the slimination of cumulative voting in the election of directors. It would also eliminate the right of shareholders to call special meetings and to propose amendments to the certificate of incorporation.

The company also proposes to eliminate greenmail by outside shareholders – the practice whereby troublesome investors are bought out by a company on terms not offered to other shareholders.

The anti-greenmail measure which Arco is proposing provides that any direct or indirect purchase by the company of its voting stock from an individual or group holding more than 3 per cent of the stock outstanding must be approved by two thirds of the stock.

However, approval would not be required where the holding had been owned for more than two years

● McGraw-Hill, the U.S. publishing group, is asking shareholders to approve bylaw changes aimed at resisting a hostile takeover, according to a proxy filing by the company with the Securities and Exchange Commission.

The proposals, which will be voted on at the annual meeting on April 24, include a staggered board of directors, and the approval of a hostile takeover by 80 per cent or more of the voting stock unless "essentially the same" price was offered to holders of all outstanding shares.

Continental's new deal

BY OUR FINANCIAL STAFF

CONTINENTAL Airlines of the U.S., which a year and a half ago filed for protection from its creditors, has won approval from a Houston bankruptcy court for a severely scaled-down version of its expansion proposals.

Plans to extend its fleet and add routes have been opposed by creditors including its bankers and the U.S. Air Line Pilots' Association. Continental had intended to buy as many as 30 new Boeing airliners, but even a more modest plan presented to the court – involving the lease of 18 aircraft from Texas Air, its parent – was rejected.

Instead, it was granted permission to take sub-leases on four aircraft, one for delivery in the second quarter of this year and the remainder in the following three months.

The court said it was "reluctant to grant such sweeping approval of the debtor's request at this time."

Abitibi to split stock

BY ROBERT GIBBENS IN MONTREAL

ABITIBI-PRICE, the Canadian paper group which is the world's largest producer of newsprint, plans to split its stock three for one effective May 1 and is raising the quarterly dividend from 40 cents to 45 cents. The Reichman brothers of Toronto control 93 per cent of the shares.

Pulp and paper analysts see this as a prelude to the Reichmans selling part of their holding in a secondary offering to the public. Abitibi-Price shares have been trading around C$50 ($36) in a thin market, well above the C$32 a share that the Reichmans paid when they bought the major part of the equity several years ago.

The Reichmans, who own the extensive property development and resource group, Olympia and York Developments, earlier made a commitment to share ownership more widely with the public. The move could come later this year, depending on markets, analysts say.

IBM agrees sale of Rolm military unit

By Our Financial Staff

A MANAGEMENT buy-out worth about $100m has been tentatively agreed for the military computers division of Rolm, the California-based telecommunications equipment and computer company taken over last year by IBM.

Disposal of Rolm's military specification (mil-spec) division was a condition imposed on IBM by the U.S. Justice Department last November when it agreed to let the company mop up the 77 per cent of Rolm it did not already own.

The Government expressed concern that the acquisition might eliminate potential competition by IBM in the market for so-called "ruggedised" computers designed for military use – a field in which Rolm has a leading position, although IBM is not present.

IBM indicated yesterday that it favours selling the Rolm mil-spec division to the management group. Although no details of the tentative buy-out have been published, it is thought that the group is proposing to pay around $97m.

IBM said that alternative offers would have to be in excess of this figure, although it would still prefer to sell the company to its employees and would thus not feel obliged to accept the highest bid. Offers are known to have been received from Data General.

EQUITABLE UNITS

Daily prices as at 19 March 1985
EQUITABLE UNITS ADMINISTRATION LIMITED
35 Fountain Street, Manchester M2 2AF - 061-236 5685

	Bid	Offer	Yld %
Authorised Unit Trust Prices			
Far Eastern	53.8	57.3	0.93
Gilt & Fxd Int	47.2	50.3	9.92
High Income	53.6	57.1	6.37
North American	54.8	58.3	2.57
Pelican—See UT Information Service			
Special Situations	54.5	58.0	3.20
Tst of Invstmt Tsts	55.1	58.7	2.03

EQUITABLE LIFE ASSURANCE SOCIETY
4 Coleman Street, London EC2R 5AP
01-606 6611

	Bid	Offer
Insurance Fund Prices		
Far Eastern	105.8	111.4
Fd of Invstmt Tsts	108.0	113.7
Gilt & Fxd Int	96.1	101.2
High Income	106.0	111.6
Managed	101.8	107.2
Money	96.7	101.8
North American	107.4	113.1
Pelican	105.5	111.1
Property	96.6	101.7
Special Situations	107.1	112.7
Pension Fund Prices		
Pens Far Eastern	109.0	114.7
Pns Fd of Inv Tsts	111.7	117.6
Pens Gilt & Fxd Int	96.5	101.6
Pens High Income	109.2	114.9
Pens Managed	104.5	110.0
Pens Money	98.0	103.2
Pens N American	111.0	116.8
Pens Pelican	108.3	114.0
Pens Property	97.1	102.2
Pens Special Sits	110.5	116.3

INTERNATIONAL COMPANIES and FINANCE

Messina to sell Nissan subsidiary to Sanlam

By Jim Jones in Johannesburg

MESSINA, the South African industrial and mining group, is to sell its Nissan motor manufacturing subsidiary to Sanlam, the country's second largest insurance group, after a steep slide into loss.

Sanlam, which is Messina's principal shareholder, is to buy the motor interests for R8.5m ($4.3m)—a R20m discount to the book value of the assets involved.

The move forms part of a restructuring of Messina's capital following the announcement yesterday of an after-tax loss of R121m last year, against a small net profit of R3.56m for the 15 months to December 1983. The operating deficit at Nissan reached R50.8m, and this was compounded by losses on foreign loans totalling R71.8m.

The group's equity fell to R68.8m at the end of 1984, compared with R169.7m a year earlier.

Messina's bankers are participating in the group's financial restructuring with the aim of reducing finance costs and curtailing further losses. The sale of Nissan will relieve Messina of the need to provide additional development capital for the motor company.

Sanlam's acquisition of Nissan forms part of a continuing shake-out in South Africa's troubled motor manufacturing industry. All but two of the country's motor manufacturers are suffering losses, and it is felt that longer-term profitability will require rationalisation, mergers, and the backing of institutions with adequate cash resources.

Messina's board says Nissan was particularly affected by the rand's depreciation, high interest rates, credit restrictions, and lower demand.

Final details of the restructuring have still to be determined. However, the directors say that if the new financial structure had been in place last year, Messina would have made a loss of 1 cent a share rather than the R9.85 loss actually incurred. In addition the year-end net worth would have been R3.60 a share against the actual figure of R5.24.

● Rex Truform, the clothing manufacturer, increased both domestic and export sales in the six months to December despite generally poor trading conditions.

Profits before tax and interest charges increased to R5.04m from R4.89m. However, Hepworth of the UK has cancelled its contract with Rex, obliging the company to end its foreign exchange contracts. As a result a net loss of R13.5m has been reported compared with a profit of R3.63m.

The company is planning a R7m rights issue.

Wong Sulong on an expensive attempt to take over Dunlop

Chastened Pegi back on the road

"I CAN'T help feeling sympathetic. After so many years and so much effort, it has little to show." This is how one Malaysian banker sums up Pegi Malaysia's five long and tortuous years spent in becoming the largest shareholder in Dunlop Holdings of the UK, now due to be acquired by BTR in a £101m ($115m) deal.

The saga began in 1980 when Pegi, then a small investment company, came under the control of Mr Ghafar Baba, the influential Malay politician. It then began buying aggressively into Dunlop.

The main aim was to prise off Dunlop's two choice assets in Malaysia — 54,000 acres of prime estates, and Dunlop Malaysian Industries, the tyre manufacturer.

The route taken was indirect but at that time far cheaper—at least on paper. A booming local stock market meant that the combined market capitalisation of Dunlop Estates and DMI was a good 100m ringgit to 150m ringgit ($58m) higher than that of Dunlop UK. By buying into Dunlop UK Pegi hoped to pressure it to sell the estates and DMI at favourable prices.

If Dunlop itself could be taken over, so much the better, so Pegi directors thought. But almost from the start, things went wrong. The Dunlop board was hostile. The company's massive losses in its tyre operations in Europe were beginning to show. And to shake off Pegi, Dunlop sold its plantations to the Chinese Multi-Purpose Holdings group in a deal which caused considerable racial ill-will and aggravated strains in Anglo-Malaysian relations.

All told, in 1980-83 Pegi spent 121m ringgit building up a 26.1 per cent stake in Dunlop. It now has the options of exchanging its stake for BTR shares or for cash at 63p per share. Analysts expect the cash option to be taken, and this will yield £23.6m or about 64m ringgit.

The only other consolation for Pegi is the option to buy the non-tyre interests of DME, which has been sold to the Sime Derby group.

Sime has since announced a major expansion programme aimed at making DMI a world tyre manufacturer. A marketing team is being quickly assembled to study opportunities for sales to China.

The non-tyre operations of DMI—rubber mattresses, sports goods and chemicals — are reasonably profitable, but to hive them off would mean losing economies of scale, especially in the vital marketing network. It makes more sense for all concerned if Pegi can come to a deal with Sime to leave DMI alone.

With its Dunlop adventure almost over, a much chastened Pegi will be looking within Malaysia for expansion. Property and plantations are two areas into which it is keen to venture, and Sime has both to offer.

The banker points out that had Pegi confined itself to Malaysia, considering Mr Ghafar's political connections, it could be expected to have made some worthwhile acquisitions and have emerged in far better profits shape.

Pegi directors admit the Dunlop episode was a terrible mistake, but the worst is now over.

Pegi shares on the Kuala Lumpur Stock Exchange have fallen quite substantially over the past year. But at 1.4 ringgit per share, the company's market capitalisation is still over 200m ringgit.

Even in Malaysia, where price/earnings ratios are traditionally high, market confidence in Pegi has held up surprisingly well considering it made less than 2m ringgit in after-tax profit last year, and its main assets are now a medium-sized plantation (its main revenue earner) and an assortment of companies involved in marine services and investments.

Mr Phoon Ah Lek, Pegi's managing director, has high hopes for the company's plantations. They cover 5,600 acres adjacent to the Senai airport in Johore state. Property development potential clearly exists, although this is not likely to be exploited in the immediate future.

The 64m ringgit from the sale of its Dunlop stake will be welcomed by Pegi's shareholders, tired of frequent calls for funds.

The lesson has been learnt. At last, Pegi is back on the road, with a lighter load.

Arab Banking buys Sun Hung Kai Bank

BY DAVID DODWELL IN HONG KONG

THE Bahrain-based Arab Banking Corporation yesterday acquired Sun Hung Kai Bank, the wholly-owned subsidiary of Sun Hung Kai and Co of Hong Kong, for HK$360m (US$46m).

The purchase marks the first acquisition in Asia by Arab Banking, which is jointly owned by the Governments of Libya, Kuwait, and Abu Dhabi. It has a paid-up capital of $750m, and shareholders' funds of $1.1bn, making it one of the world's largest banks. It has branches in London, Cayman, New York, Milan, and Singapore, and recently acquired the Spanish retail bank, Banco Atlantico.

Sun Hung Kai and Co, one of Hong Kong's leading securities and banking groups, has been controlled jointly by Merrill Lynch of the P.S. and Compagnie Financière de Paribas of France since a HK$200m support package was arranged in October 1983. The banks acquired stakes of 25.5 per cent apiece, giving them majority control. The group's founder, Mr Fung King Hey, held 28 per cent.

Mr William Arthur, chief executive of Sun Hung Kai and Co, said the disposal was part of the group's overall reorganisation. The long-term strategy was to concentrate on merchant banking, securities brokerage, China Trade, and investment services, and retail banking did not fit in with that strategy.

It is understood that cash from the sale will be used to repay the company's long-term debt, estimated at about HK$250m.

Mr Fung King Hey is to take a 25 per cent equity interest in the retail bank after the sale has been completed, by capitalising an existing HK$120m loan to the bank. He will continue to serve as the bank's chairman.

Mr Abdullah Saudi, the president of Arab Banking, said his bank had been searching for an opportunity to expand in Asia and that Hong Kong, with its relationship to mainland China, was "a major priority." He said Sun Hung Kai Bank would continue to be run as a "local Chinese institution."

After the acquisition, Arab Banking is to inject a further HK$373m, making a total investment of HK$732m. Mr Ahmet Arsan, a senior vice-president of Arab Banking, and currently its general manager in Singapore, is to become its managing director.

For Sun Hung Kai and Co., the sale involves incurring an extraordinary loss of about HK$186m, mainly because of property revaluations. The company said this would be offset by a HK$230m extraordinary gain from the sale of its holding in HK-TVB, one of Hong Kong's two main television companies. The 20 per cent stake was sold for about HK$480m just two weeks ago.

Otherwise, the group has performed indifferently during the past two years. Net profits in the first half of 1984 slipped to HK$14.7m from HK$30.8m during the same period in 1983.

The group blamed declining investor interest in Hong Kong stocks due to political uncertainty over the territory's future. There are indications that group reorganisation is not yet complete.

Mitsubishi Australia in the black

By Michael Thompson-Noel in Sydney

MITSUBISHI MOTORS Australia, a wholly-owned subsidiary of Mitsubishi of Japan, benefited from a record year in the Australian car market and swung from a 1983 net loss of A$24.6m into a net profit of A$1.6m (U.S.$1.1m) for 1984.

Improved margins and a stronger economy helped put the company back into the black, even though Mitsubishi's share of the total Australian vehicle market slipped from 10.9 per cent to 9.6 per cent. Operating costs were cut vigorously, and turnover was almost 20 per cent higher, at A$668m.

Mitsubishi hopes to capture a 12 per cent Australian market share this year, aided by the launch next week of its new contender in the medium-to-large car segment, the five-seat Magna, developed specially for Australia.

Byblos Bank

AN ARTICLE in the Lebanon survey in the FT of February 19 incorrectly stated that Al Madeni group had injected funds into Byblos Bank and had become a partner in it. We have been asked to make clear that there has been no injection of funds by Al Madeni, which is not a shareholder or partner in Byblos Bank.

Higher payout by Genting after another record year

BY WONG SULONG IN KUALA LUMPUR

DESPITE a slowdown in the Malaysian economy, Genting, the casino, hotel, and plantation group, has reported another record year, with pre-tax profit for 1984 rising by more than 20 per cent to 182m ringgit (U.S.$72m). This is nearly 20m ringgit higher than earlier forecasts by the company.

Turnover rose by a similar margin to 394m ringgit and after-tax profits were 23 per cent higher at 106m ringgit.

As in previous years, the main contributor to earnings growth was the casino operations at the Genting Highlands, 30 miles from Kuala Lumpur, where Genting owns 12,000 acres which are being developed into a resort township.

Strong earnings were also achieved by the plantation division. Asiatic Plantations, a listed subsidiary, reported a 70 per cent increase in pre-tax profit to 25.3m ringgit, buoyed by higher commodity prices.

For the current year, Genting confined itself to a prediction that group performance "will continue to be satisfactory."

Genting is paying a 7.5 cents tax exempt final dividend, making 14.5 cents for the year compared with 12.5 cents previously.

Last month, shareholders approved a scheme for the company to participate in two casino ventures in the Australian cities of Perth and Adelaide. Genting will take a 27.3 per cent stake in the Perth project, but will only provide management services to the Adelaide casino.

Both are due to be operational by 1987, and represent a diversification of Genting's gambling activities from Malaysia, where fundamentalist Muslim groups have been calling for the cancellation of its casino licence.

Tan Sri Lim Goh Tong and his family hold nearly 40 per cent of Genting's 330m ringgit paid-up capital.

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND. OFFICIAL DEALINGS IN THE STOCKS ON THE STOCK EXCHANGE ARE EXPECTED TO COMMENCE ON WEDNESDAY, 20th MARCH 1985.

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 18th March 1985, and has issued to the Bank, additional amounts as indicated of each of the Stocks listed below:

£250 million 11 per cent EXCHEQUER STOCK, 1991
£500 million 9¾ per cent CONVERSION STOCK, 2001

The price paid by the Bank on issue was in each case the middle market closing price of the relevant Stock on 18th March 1985 as certified by the Government Broker.

In each case, the amount issued on 18th March 1985 represents a further tranche of the relevant Stock, ranking in all respects pari passu with that Stock and subject to the terms and conditions of its prospectus, save as to the particulars therein which related solely to the initial sale of the Stock. Copies of the prospectus for 11 per cent Exchequer Stock, 1991 dated 8th April 1979 and of the prospectus dated 27th May 1983 for 10½ per cent Treasury Convertible Stock, 1987 (which contained the terms of issue of 9¾ per cent Conversion Stock, 2001) may be obtained at the Bank of England, New Issues, Watling Street, London EC4M 9AA.

Application has been made to the Council of The Stock Exchange for each further tranche of stock to be admitted to the Official List.

The Stocks are repayable at par, and interest is payable half-yearly, on the dates shown below:

Stock	Redemption Date	Interest payment dates
11 per cent Exchequer Stock, 1991	25th October 1991	25th April, 25th October
9¾ per cent Conversion Stock, 2001	10th August 2001	10th February, 10th August

Dealings in the further tranche of 11 per cent Exchequer Stock, 1991 for settlement prior to 25th April 1985 will, in common with the existing Stock, be effected on an ex-dividend basis. The further tranche of 9¾ per cent Conversion Stock, 2001 will rank for a full six months' interest on 10th August 1985.

BANK OF ENGLAND
LONDON

18th March 1985

BASE LENDING RATES

A.B.N. Bank	14 %	Johnson Matthey Bkrs.	14 %
Allied Irish Bank	14 %	Knowsley & Co. Ltd.	14½%
Henry Ansbacher	14 %	Lloyds Bank	14 %
Amro Bank	14 %	Edward Manson & Co.	15 %
Associates Cap. Corp.	14 %	Meghraj & Sons Ltd.	
Banco de Bilbao	14 %	Midland Bank	14 %
Bank Hapoalim	14 %	■ Morgan Grenfell	14 %
BCCI	14 %	Mount Credit Corp. Ltd.	14 %
Bank of Ireland	14 %	National Bk of Kuwait	14 %
Bank of Cyprus	14 %	National Girobank	14 %
Bank of India	14 %	National Westminster	14 %
Bank of Scotland	14 %	Northern Bank Ltd.	14 %
Banque Belge Ltd.	14 %	Norwich Gen. Trust	14 %
Barclays Bank	14 %	People's Tst & Sv. Ltd.	15 %
Beneficial Trust Ltd.	15 %	Provincial Trust Ltd.	15 %
Brit. Bank of Mid. East	14 %	R. Raphael & Sons	14 %
■ Brown Shipley	14 %	P. S. Refson	14 %
CL Bank Nederland	14 %	Roxburghe Guarantee	14½%
Canada Perm'nt Trust	14 %	Royal Bank of Scotland	14 %
Cayzer Ltd.	14 %	Royal Trust Co. Canada	14 %
Cedar Holdings	14 %	■ J. Henry Schroder Wagg	14 %
■ Charterhouse Japhet	14 %	Standard Chartered	‖14 %
Choulartons**		Trade Dev. Bank	14 %
Citibank NA	14 %	TCB	14 %
Citibank Savings	¶12½%	Trustee Savings Bank	14 %
Clydesdale Bank	14 %	United Bank of Kuwait	14 %
C. E. Coates & Co. Ltd.	14½%	United Mizrahi Bank	14 %
Comm. Bk. N. East	14 %	Westpac Banking Corp.	14 %
Consolidated Credits	14 %	Whiteaway Laidlaw	14½%
Co-operative Bank	*14 %	Williams & Glyn's	14 %
The Cyprus Popular Bk.	14 %	Wintrust Secs. Ltd.	14 %
Dunbar & Co. Ltd.	14 %	Yorkshire Bank	14 %
Duncan Lawrie	14 %		
E. T. Trust	14½%		
Exeter Trust Ltd.	14½%		
First Nat. Fin. Corp.	15½%		
First Nat. Secs. Ltd.	14½%		
■ Robert Fleming & Co.	14 %		
Robert Fraser & Ptns.	14½%		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		
■ Hambros Bank	14 %		
Heritable & Gen. Trust	14 %		
■ Hill Samuel	§14 %		
C. Hoare & Co.	†14 %		
Hong Kong & Shanghai	14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11%, 1-month 11.75%. Fixed rate 12 months £2,500 11.75%, £10,000 12 months 12.00%.
† 7-day deposits on sums of under £2,000 11%, £2,000 up to £10,000 12%, £10,000 up to £50,000 12½%, £50,000 and over 12½%.
‡ Call deposits £1,000 and over 11%.
§ 21-day deposits over £1,000 12½%.
¶ Mortgage base rate.
‖ Demand deposits 11%.
** See Provincial Trust Ltd.

CARREFOUR S.A.

The Board of Directors has closed the accounts of CARREFOUR S.A.:

in millions of Francs	Year 1984	Year(1) 1983	Difference 1984/1983
Pretax turnover	20 413	18 236	+11.9%
Amortisations	(227)	(219)	+ 3.6%
Net trading profits	562	525	+ 7.0%
Provisions and charges ex running costs	(20)	(18)	+11.1%
Tax on benefits	(190)	(161)	+18.0%
Profit-sharing scheme	(87)	(90)	(3.3%)
Net results after tax and profit-sharing	300	297	+ 1.0%

(1) 1983 figures have been revised to allow a comparison with 1984.

The Board will propose to the Ordinary General Meeting of Shareholders, scheduled for May 22 next, a F61.50 dividend per share (together with a F30.75 tax credit), it being stressed that in 1984 a free share had been granted for three old shares.

The net consolidated results have not been closed.

The growth of the consolidated current profit, as part of the Group, will be approximately 20%.

Nobel group turns in SKr 167m profit

BY DAVID BROWN IN STOCKHOLM

NOBEL INDUSTRIES, the group formed following the takeover by Bofors, the armaments and chemicals concern, of KemaNobel, Sweden's biggest chemicals group, reports 1984 profits before tax and extraordinary items SKr 167m ($17.6m).

The Skr 3bn takeover created one of Sweden's 20 largest industrial companies, but was strongly opopsed within KemaNobel. The new group's result includes Bofors' full year operations as well as the last four months profit of KemaNobel.

Excluding the acquisition, Bofors' sales and costs rose by 14 per cent. It was able to achieve SKr 59m improvement in its operating results to SKr 150m by reducing depreciation costs by SKr 20m.

Net financial costs were cut by SKr 17m to SKr 3m, yielding a profit before extraordinary items of SKr 147m, against SKr 111m. It had predicted the profit of SKr 200m for 1984.

KemaNobel added an additional SKr 2bn in sales from the final four months to bring the new group's total to SKr 7.03bn. Income from operations continued to climb at the same sharp rate reported at the end of August.

Bofors charged SKr 120m in interest costs associated with the acquisition to KemaNobel's results. Thus, the former chemicals group, which showed profits growing at a rate of some 25 per cent before the takeover, was able to contribute only SKr 20m to the final results of the new Nobel Industries.

The group, which is controlled by Mr Erik Penser, the UK-domiciled Swedish financier, will pay an unchanged dividend of SKr 7 a share.

Dutch mortgage bank moves out of the red

BY OUR FINANCIAL STAFF

WESTLAND-UTRECHT, the Dutch mortgage bank which a year ago was saved from financial collapse by the intervention of Nationale-Nederlanden, the big insurance group, has moved back to profits for 1984.

Against net losses of Fls 49.6m ($13.2m) in 1983, the company has made a net return of Fl 9.1m for 1984, helped by a major reduction in provisions for general contingencies during the year.

The bank said operating porfit rose to Fl 40.8m from Fl 25.4m in 1983. Provisions were more than halved to Fl 30m from Fl 75m. However, in light of continuing uncertainties in the property market, provisions would be boosted in 1985 by the arrangement of an additional Fl 50m guarantee from a Dutch credit insurer, Westland-Utrecht said.

In return, the bank would provide a counter-guarantee to holders of its mortgage bonds, giving them equal priority with other subordinated lenders.

Borregaard in food deal

BY FAY GJESTER IN OSLO

BORREGAARD, the Norwegian industrial group with interests in forest products, foodstuffs, chemicals and metals, seems set to acquire the food interests of Nora Industrier, a food and beverage group.

The deal, which could effectively bring to an end a prolonged power struggle between the two, was approved at the weekend by the boards of both Borregaard and Nora. It will give Borregaard Nora's 45 per cent stake in a recently established foodstuffs joint venture—Stabburet-Nora—in which Nora and Borregaard were partners.

At the same time, Borregaard has undertaken to reduce its shareholding to Nora. This was increased recently to about 42 per cent through purchases and a share swap with Norsk Hydro. Borregaard sold to Hydro its 50 per cent share in the chlorine plant at Norway's Rafnes petrochemicals complex, receiving in payment Hydro's 23 per cent shareholding in Nora.

The power struggle between the two groups began two years ago with an attempt by Nora to acquire a large stake in Borregaard, in order to negotiate a merger with Borregaard's foodstuffs offshoot, Stabburet. Later, after agreement had been reached on the Stabburet-Nora partnership, Borregaard began increasing its holding in Nora.

Ballast Nedam recovers

BY LAURA RAUN IN AMSTERDAM

BALLAST NEDAM, the Dutch-based international construction company, lifted its earnings 52 per cent to Fl 25m ($6.6m) in 1984 from Fl 16.5m the previous year.

Intense reorganisation following 1983's sharp profit decline helped raise net income while turnover also rebounded 21 per cent to Fl 2.5bn in 1984 from Fl 2.07bn.

The order book remained at a relatively healthy Fl 4.1bn at the end of 1984, the same level as mid-year, but still below the year-earlier figure of Fl 4.5bn.

Ballast Nedam, the 19th largest construction company in the world, went private last year with Minefa Holdings taking over the remaining 19 per cent it did not already own. Minefa is backed by a group of Middle East financiers.

The 1984 profit figures do not include those for Rodgers Companies, a U.S. contracting group acquired last year.

The earnings were closely in line with the company's mid-year forecast, which noted a "quantitative and qualitative improvement" in the order book, while turnover exceeded predictions.

Multinationals seek to reshape their Italian image

Concern over the surge of foreign investment in Italy could spark a political backlash, writes James Buxton in Rome

FOREIGN COMPANIES operating in Italy ought to be feeling pleased with themselves. The economy is expanding and last year fewer working hours were lost from strikes than in any year since 1952. The number of new companies setting up plant in Italy last year totalled 20.

Why then should about 60 managers, from companies as diverse as Ciba-Geigy and Barclays Bank, have gathered in Rome recently to discuss the need for a more positive image for multinationals in Italy?

In the past few months, alongside the resurgence of foreign investment in Italy, there have been signs that not everyone in political circles is happy. The word "colonisation" has crept into the Press. The Ministry of Industry is considering tightening up the entry of foreign companies. Recently the Ministry of Scientific Research has withheld funds from a number of companies which are wholly or partially foreign-owned.

From the late 1970s to the early 1980s foreign investment in Italy was static. Potential investors were put off by the past failures of others (such as the union between Dunlop and Pirelli), by fear that the Communist Party might come to power, by left-wing terrorism and by poor labour relations.

The tide began to turn in 1982. The fact that terrorism virtually disappeared made foreign businesses realise other things about Italy: that private business, led by Olivetti and Fiat, was restructuring itself, almost without government help, that the Communist threat was receding and that the unions, defeated in the 1980 Fiat strike, had a bark far worse than their bite.

Last year was the *annus mirabilis* for foreign investment in Italy. AT & T consummated the deal struck at the end of 1983 whereby it took 25 per cent of Olivetti. Allianz, the West German insurance company, bought 52 per cent of RAS, the insurance company. Plessey bought 35 per cent of Elettronica, the maker of electronic warfare equipment. It is estimated that about L1,500bn ($708m) was invested in Italy in new acquisitions.

But whereas the Olivetti deal with AT & T was lauded as a compliment to Italy, the purchase by the Swedish company Electrolux of Zanussi, the domestic appliance maker, was considered profoundly disturbing.

Even though the takeover by the Swedish concern was probably the best solution for the near-bankrupt Zanussi, both businessmen and politicians regretted that no Italian solution had been found.

The foreign sale of a company which had been in the forefront of Italy's economic miracle of the 1960s caused shock. So did the realisation that in the past two years majority control of Italy's pharmaceutical industry has passed into foreign hands.

Until 1978 foreign companies were discouraged from entering the big Italian drug market by the fact that products could not be patented in Italy. This allowed a large number of small companies to survive mainly by imitating the products of the big companies. The change in the patenting laws, plus price controls, cuts in health spending and the need for more R and D spending, widened the field and put many smaller ones out of business.

In the past two years seven Italian pharmaceutical companies have passed into foreign control following acquisitions by Beecham and Glaxo of the UK, Roussel-Uclaf of France and Fermenta of Sweden.

Some 60 per cent of the market is said to be in the hands of foreign-affiliated companies or subsidiaries and a respected Italian economic commentator said recently that "the sum of acquisitions means an almost complete colonisation of the Italian market by foreign groups."

Politicians of both the left and centre have begun raising the alarm. Though the EEC does not allow national companies to have priority in buying businesses, most countries do have procedures for blocking takeovers which they judge undesirable.

Italy has no such procedures, and indeed the Government does not normally have to be informed of takeovers or possible takeovers by foreign companies.

Sig Renato Altissimo, the Industry Minister, who is a businessman himself and anxious to dismantle controls wherever possible, is toying with the idea of introducing a mandatory reporting system for foreign takeovers. His advisers are contemplating a system by which the Ministry would have the right to object if a foreign company wanted to acquire more than 30 or 40 per cent of an Italian company.

Perhaps more worrying for the multinationals was the recent decision by Sig Luigi Granelli, the Christian Democrat Minister of Scientific Research, to refuse applications for research grants from five companies, including the Italian offshoots of Bayer, GTE and Honeywell, and also Elettronica, Plessey's new affiliate.

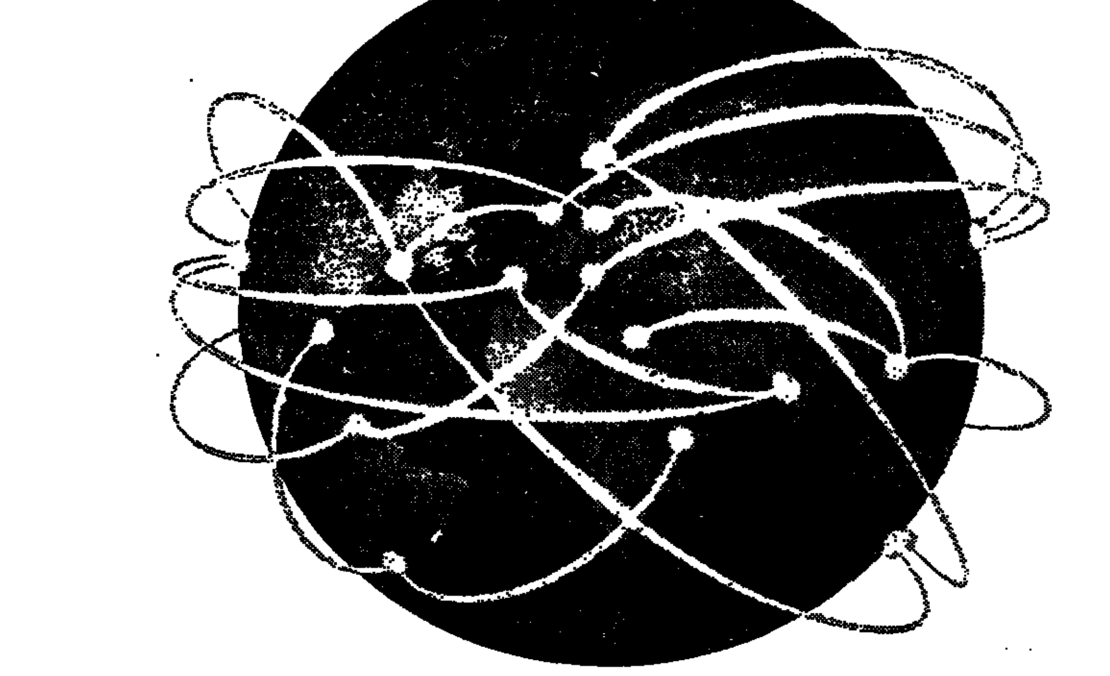
Though the Minister justified his decision on the grounds that government funds are in short supply, he made it clear in private that the applications failed because they were foreign.

The managers of foreign-controlled companies who gathered in Rome recently under the auspices of Business International, the U.S. consultancy, did not seem unduly alarmed by these developments. The attitude of many of them seemed to be that if the Government made extra conditions they would only be in addition to the many complications of operating in Italy—complications which multinationals claim to be well used to coping with.

Many multinationals felt, however, that they ought to head off a possible backlash against foreign companies by stressing what they were doing for Italy by way of employment, know-how and benefits to Italy's balance of payments.

Sig Sergio Giuliani, managing director of Ciba-Geigy in Italy, said: "By maintaining a low profile multinationals have often ended up having a negative profile. All companies have negative and positive aspects: what we multinationals ought to have is the right profile."

If nothing else, the meeting was a reminder that "multinational" is still looked upon as a dirty word in Italy—even if, as one speaker pointed out, it can equally be applied to native Italian companies like Olivetti.



UK COMPANY NEWS

Barratt dives £15m as house sales drop

THE MINERS' strike, high interest rates and sharply reduced house sales have cut deeply into Barratt Developments profits for the six months to December 31, 1984.

At pre-tax level, the housebuilding group saw its profits plunge by £15m to £4.07m, some £1m below City expectations. Barratt remains Britain's biggest housebuilder despite a 3,850 drop in sales to 12,150 for calendar 1984.

The pre-tax result follows a drop of £14.7m for the full 1983-1984 year which the directors blamed on reduced volumes in the UK housing sector brought about partly by "unjustified adverse publicity" following critical TV programmes on the timber-frame method of building Barratt favoured and its sales promotion techniques.

The City had been expecting poor results for at last November's packed annual meeting Sir Lawrie Barratt, the chairman, warned that profits for the opening six months of 1984-85 would be extremely disappointing.

He tells shareholders now in his interim report that in Barratt's long established areas the market was severely damaged by the miners' strike and the resultant widespread economic uncertainty.

High interest rates also took their toll on both sales and margins.

However, Sir Lawrie now believes that the decline in Barratt's UK private housing activities has been arrested and he anticipates the recovery will be reflected in the next financial year.

He says: "We've taken action since last June to adjust to the setbacks we have suffered in lower volumes and lower profitability.

"We are changing our products and emphasising quality and hoping the damage we have suffered is short lived."

Barratt is totally changing its product mix with a shift away from the starter home market it pioneered.

The recent restructuring of the group is expected to bring about significant overhead savings.

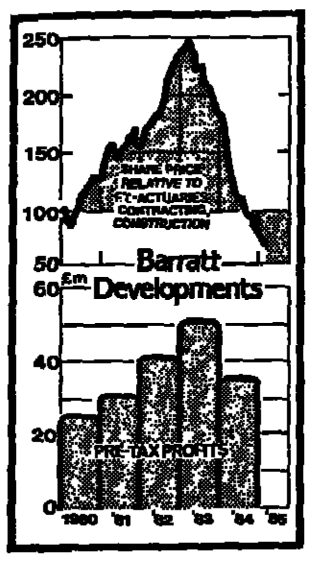
Earnings for the first half dropped by 5.1p to 1.4p but the interim dividend is being maintained at 2.31p net which the directors say reflects their view that the dividend policy should not be based on the results of "a single exceptional and unrepresentative year." Barratt Developments shares closed 12p higher yesterday at 78p after touching 80p at one stage.

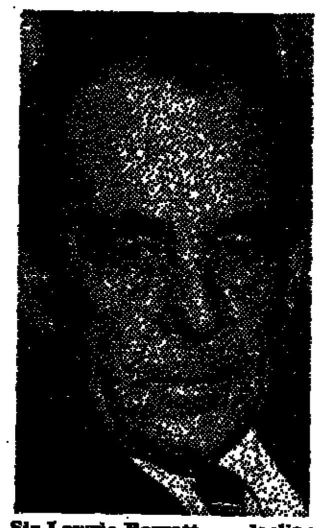
At last November's annual meeting Sir Lawrie said that the UK housing market had been difficult because of the rise in interest rates and the miners' strike.

Shareholders were told that against private sector starts in 1983 of 170,000 is was generally accepted that starts in 1984 would fall to 150,000. The group's completions for the six months to December 1984 were expected to show a fall despite its introduction of a varying mortgage subsidy plan for home-buyers.

The half-year results were also expected to be adversely affected by the rationalisation programme undertaken to adjust for the reduced sales volume.

At the meeting Sir Lawrie came under sharp criticism from several shareholders who said he had not responded strongly enough to allegations about Barratt's timber frame construction and sales methods contained in two Granada Television World in Action programmes.





Sir Lawrie Barratt . . . decline in UK private housing thought to have been arrested

Sir Lawrie defended timber-framed housing and said it had the backing of independent industry bodies.

During the opening six months of the current year sales in California showed satisfactory progress although the continuing high cost of procurement and subsidising mortgages eroded margins.

The letting market for commercial and industrial premises remained difficult, but some progress was made in this sector.

Turnover pushed ahead from £259.37m to £272.8m. Tax accounted for £1.63m (£7.57m) and an extraordinary item regarding prior years' tax took £3.89m. This represented addition corporation tax in respect of years prior to June 30, 1980, following judgment by the House of Lords that part-exchange houses held prior to that date were not eligible for stock relief.

Last January Barratt revealed that it was closing six of its 26 house sales offices as part of its plan to reduce overheads. Earlier this month the directors announced plans to reduce starter homes from a peak of 75 per cent of group output two years ago to between 50 and 55 per cent this year and 40 to 45 per cent next year. The plan is to concentrate more on the second-time buyer.

See Lex

Price war cuts 59% off Horizon profits

CONTINUING PRICE competition and the decline of sterling have hit the Horizon Travel group in the year ended November 30 1984. And only the inclusion of aircraft disposal profit and exceptional currency gain have enabled the group to maintain its profit at £12.52m.

Passenger carryings throughout the year were well up on those of 1982-83, and the group improved its market share and the operational load factor. Turnover advanced by £27.74m to nearly £152m but the trading profit, including interest, slumped from £12.57m to £5.15m.

Bookings for Winter 1984-85 and Summer 1985 programmes are down on last year in line with the experience of most of the industry, and capacity has been reduced accordingly in order to maintain economic loads. In view of the lower demand in the air charter market, Orion Airways' 1985 capacity will be cut to nine aircraft, five of which are owned.

Chairman Mr Bruce Tanner says bookings for the summer are down about 30 per cent on last year, almost due entirely to Spanish destinations. Yugoslavia, Portugal and Greece have shown "useful increases."

By the end of the season Horizon is expecting the total number of holidays booked to have fallen by only about 10-15 per cent.

Mr Tanner says the increase in prices for Spanish holidays has met consumer resistance, but "we are still very confident about the future of Spain in maintaining its premier position" in the UK holiday market.

He feels the company is "holding up pretty well" in relation to its major competitors. Commenting on the recently reported venture with Bass, he says it will help Horizon to achieve its medium term strategy.

Some improvement in margins is looked for this year. It is thought that, unlike last year, any price discounts will fall on Spanish hotelliers rather than the company.

Earnings have fallen from 28.32p to 19.47p per share, but the dividend is pushed up to 4.4p net, from 4p, with a final of 3.52p.

Taking in a £5.69m profit on aircraft disposal and exceptional currency gain of £1.68m, the profit before tax is £12.52m, compared with £12.57m. Divisionally, the contributions were: tour operating £5.54m (£6.41m); aircraft £5.35m (£5.29m); hotels £504,000 (£291,000); travel agency £307,000 (£185,000); parent company £332,000 (£385,000).

Since the year-end, negotiations have been completed for the sale of two more Boeing 737-200 series aircraft, producing profits of over £7m on each. This year four new-generation Boeing 737-300 SQ aircraft are being introduced into Orion's fleet — one purchased, one on finance lease, and two on operating lease. Three have been delivered.

After tax £4.16m (£531,000) and minorities £119,000 (£62,000), the net attributable profit works through at £8.24m (£11.98m). Dividend cost is £1.86m (£1.69m). At the end of November shareholders' funds had risen £6.74m to £44.38m, with cash and deposits funds amounting to £14.76m (£13.87m).

It was announced last weekend that Horizon has joined Bass in forming an equal partnership company to own and operate Horizon's hotels and Bass' Holiday Club International clubs. To balance the two companies' contributions Horizon will issue to Bass 7.47m new shares at 135p each, 15 per cent of the enlarged capital.

● comment

If Horizon Travel flew into turbulence last year, this year looks like a thunderstorm. With bookings in the industry down some 30 per cent to date, it will need an exceptional late surge to bring the total to within even 15 per cent of last year's. Horizon is suffering more than most because of its dependence on Spain: the company has cut capacity and is trying to make higher brochure prices stick to improve overall margins. But it seems doubtful whether these prices can survive without further depressing volumes. In this context, it is to say the least helpful to the profit and loss that Horizon is making more money out of selling aeroplanes than holidays — £5.7m disposal profits last year, and a further £14m this year, which will go some way towards offsetting part of the cost of Orion's new aircraft. How much more than £14m the group makes is anybody's guess —this year more than ever Horizon could do with a currency gain at the trading level to make up for last year's £4m loss. Clearly, now is not the time to buy the shares, unchanged at 135p, especially as the Bass deal probably rules out a Grand Metropolitan bid.

J. Rothschild backs £306m bid for U.S. soya bean processor

BY STEFAN WAGSTYL

J. Rothschild Holdings, an investment company run by Mr Jacob Rothschild, is backing a $334m (£306m) bid by Shamrock Holdings, a U.S. company owned by Mr Roy Disney, nephew of the late Mr Walt Disney, to take over Central Soya, a U.S. soya bean processor.

J. Rothschild, formerly known as Charterhouse J. Rothschild, has taken a 28 per cent stake in a consortium in which Shamrock has a controlling 63 per cent stake. The remaining 9 per cent is held by Transcontinental Services Group, a UK investment company in which J. Rothschild has a 31 per cent stake.

On receiving the consortium's offer late last week, the Board of Central Soya said it would examine the proposals and advised its shareholders against "hasty" action.

The consortium, which already owns 11 per cent of Central Soya, is offering $23 a share, against a New York Stock Exchange price on Friday of $22.

While the consortium has not committed itself to any particular fundig arrangement for the deal, it is most likely that it would call upon outside finance, from baks to fund most of the purchase in a leveraged deal.

Central Soya made after-tax profits of $22 on sales of $1.72bn in the year to last August.

J. Rothschild Holdings and Transcontinental Services, which listed in London but managed from New York, have joined forces before in taking stakes in the St Regis paper group which were subsequently sold at a profit.

Under Mr Rothschild's guidance, both companies have changed radically in the past 18 months seling assets to adopt a more entrepreneurial approach to corporate activity.

J. Rothschild, has pulled back from an attempt to create a financial services empire, selling its stake in the life assurance company Hambro Life, the Charterhouse Japhet merchant and its interest in Kitcat and Aitken, and leaving itself with £600m cash in the balance sheet.

About 25 per cent of J. Rothschild's assets are now in New York.

On a samller scale, Transcontinental, sold its trading activities in cargo inspection and marine services in 1983, and has since concentrated on investing in "special situations."

Comtech losses jump as research costs rise £1m

AN INCREASE of some £1m in research costs and lower commercial profits led to attributable losses of Combined Technologies Corpn. (Cometch) showing a substantial rise to £2.5m for the nine months to December 31, 1984, against £1.04m last time. Stated losses per 10p share were up from 1.4p to 3.3p.

Mnemos, the group subsidiary which is quoted on the USM, incurred higher attributable losses of £3.78m (£2.38m) for the period. After allowing for a £3.25m (£1.7m) gain arising from its rights issue, there was a deficit of £533,000 (£679,000).

Group research costs increased from £2.05m to £3.08m. The board considers however, that increasing development obligations to the company's new technologies require the disposal of certain interests. Negotiations have commenced with this in mind.

Combined group turnover drop from £155.35m to £148.62m, of which £148.45m (£155.33m) related to commercial activities—automotive, hardware, wholesaling, control systems and travel. Commercial profits fell from £169m to £1.11m, after interest charges of £2.07m (£.02m).

Revenues at Mnemos, which makes data storage systems, are expeteced to remain minimal until the middle of this year, while expenses will be trimmed to meet the needs of current customers.

Mnemos passed a major milestone at the beginning of this month, when Sperry Corporation exercised its option to purchase just under 10 per cent of the company's common shares for $5m (£4.7m). The agreement provides Sperry with an exclusive licence to market Mnemos products to the U.S. military for 15 years.

The board says Sperry has been demonstrating its version of Mnemos workstation to a wide range of U.S. military officials and the reception has been most encouraging to date.

Sperry, Merrill Lynch and RCA, which haev pilot systems installed or on order, evidence a clear need for the Mnemos system ,the board adds.

Manufacturing operation are under way for initial requirements at a new facilities in Pennsylvania, U.S. Volumes are expected to build consistently throughout 1985.

Valor's £7m purchases boost water heating side

BY LIONEL BARBER

Valor, the gast-growing gas fire and cooker manufacturer, yesterday revealed two acquisitions which will expand its business in water heating appliances.

Valor is to buy Chartered Consolidated's heating, refrigeration and catering equipment subsidiary, Heatrae Sadia, in a £6.14m cash deal. In a separate deal Valor has also agreed to pay £885,250 in cash and shares for Gainsborough Electrical which makes hot water showers, and for Gainsborough Precision Engineering, based in Birmingham.

"At a stroke we have a major water heating division," said Valor's chairman, Mr Michael Montague, who ended negotiations with Charter in the early hours of yesterday morning. Valor also forecast pre-tax profits for the full year to the end of this month of not less than £5.5m, with a total dividend expected to be 4.6p, a 15 per cent increase on last year.

Yesterday, Valor made a vendor placing to raise the necessary £6.14m. Valor, advised by Hill Samuel, will issue 3,486,566 new shares under the deal, but to 48 per cent will be made available to existing shareholders at the placing price of 190p. Hill Samuel said the institutional placing was completed immediately yesterday.

In the Gainsborough deal, Valor will offer 453,275 ordinary shares and £24,000 in cash. A further 38,793 Valor shares will be issued on December 31 to pay for acquiring a convertible loan of £150,000. The new shares issued as a result of both deals will account for nearly 17 per cent of Valor's expanded share capital.

"This sale is part of the continuing rationalisation of our industrial interests," said a Charter spokesman. Heatrae Sadia's unaudited accounts for last year show £815,000 trading profit, but this was wiped out by provisions against losses amounting to £1.15m. The sale price of Heatrae Sadia will be reduced pound for pound to the extent which the company's net asset may fall below £9.14m.

Valor's shares rose on the news of its two acquisitions 5p to 208p.

Downturn for S & W Berisford

S & W Berisford, the commodity trader, is expecting a fall in profits for the current year because of lower contributions from its subsidiary British Sugar and continuing difficult conditions for its international trading activities.

Mr Ephraim Margulies, the chairman, told yesterday's annual general meeting that "group profits for the current year will fall unevenly, with the first half being lower than the second and with the outcome for the full year lower, although an upturn in international trading activity could alter this." In the year to last September, Berisford made pre-tax profits of £80.23m on turnover of £5.7bn.

Berisford's shares fell on yesterday's news, closing at 164p, down 7p on the day.

Mr Margulies said profits at British Sugar were likely to be lower because the EEC sugar price agreement effective from July 1 last year provided for no increase in the intervention price, despite increased operating costs.

However, the outcome from British Sugar—which last year accounted for about half of operating profits—would remain unclear until the last of the animal feed from this year's crop was sold.

Conditions also remained difficult for the group's international trading activities, with unstable currency markets and faltering economic recovery outside the U.S. resulting in very quiet market conditions. The outlook for this division was therefore lower profits.

Mr Margulies said the general merchanting and processing division in the UK was improving its performance, which should offset other difficulties to some extent.

Strategically, however, the group saw the financial services sector — which Berisford has expanded into in recent years— as being the key to future profits development.

Mr Margulies said the performance of two companies acquired last year—Berisford Cresvale, a bond and securities trading business, and Albion Trust, an investment bank—were bearing out his confidence in the future profitability of this sector.

Laing Properties climbs to £13.2m

Laing Properties raised pre-tax profits by 19 per cent from £11.1m to £13.2m in 1984. Investment income, net of operating costs, increased by £4.5m to £23m.

Last year, the company indicated that where considered appropriate, it proposed to absorb part of the interest costs relating to development activity as an additional charge against profits. The amount so charged in 1984 was £2.1m (£1.4m).

Because of the tax credit resulting from the discontinuance of stock relief and the confirmation of capital allowances previously under negotiation, the year's tax charge was virtually eliminated at £0.8m (£4.4m).

As a result, after-tax profits jumped from £6.7m to £12.4m. But for the exceptional credits, the net return would have been around £10m, the board points out.

Earnings per 25p share were 22.2p (12.1p) basic and 20.4p (11.6p) fully diluted. The year's dividend is 0.75p higher at 6.25p net with a final of 3.75p.

Laing is now a fully fledged Anglo-American enterprise, with Canada and the U.S. accounting for half of company assets and profits.

Paterson Zochonis on course for over £35m

Paterson Zochonis are optimistic of a pre-tax profit of at least £35m for the year ending May 31 1985. This would represent a £4m rise over the previous year.

The forecast is contained in the interim statement which shows this West African merchanting and manufacturing group produced results "somewhat ahead of expectations," with the turnover up from £123.58m to £150m and profit before tax rising from £14.23m to £17.52m.

Earnings for the period are shown at 19.21p, compared with 14.05p, and the interim dividend is lifted from 1.45p to 1.55p net. The final in the previous year was 3.7p.

The directors report that the Nigerian associates in particular benefited from increased production at the new detergent plant commissioned last March.

It remains difficult to forecast future results and these will continue, to a large extent, to be dependent on the group's ability to maintain adequate raw material supplies to the Nigerian companies, and on the impact of exchange rate movements.

However, the directors hope that profits for the second half will be not less than those now reported.

The group has extensive interests in West Africa, making soaps and toiletries, refrigerators and sewing threads. The Cussons Group is a subsidiary.

The half year's profit included investment income of £2.65m (£2.34m) and associates' contribution well up from £4.58m to £8.33m, while interest charges took £5.49m (£5.14m). Tax takes £7.33m (£6.4m) and minorities £695,000 (£785,000), to leave the attributable balance at £9.5m (£7.05m).

● comment

Fund managers are not keen on companies as heavily committed to Nigeria as Paterson Zochonis. Some 70 per cent of group profits arise there and even though profits this year could rise by getting on for a fifth pre-tax, the prospective earnings multiple is no more than 4 at 148p. The success of the Nigerian manufacturing operations—detergents and soaps—is evident in the jump in associate profits and the full-year contribution should reach £17m. Paterson has little problem with imports of raw materials for its manufacturing plants because the authorities obviously smile on import licences for essential commodity items, but the merchanting activities are less fortunate. There is a long-term argument for staying Nigeria is an important market and a company with a significant position should be held regardless of short-term political or currency worries. But professional British investors seem unwilling to listen to the story and there is no need to rush into the shares.

Standard Life funds expand to pass £6.3bn

TOTAL FUNDS of Standard Life Assurance Company, Scotland's largest life company, rose by over £1bn to £6.31bn in the 12 months to November 15 1984. Total value of its investments was up nearly £1.4bn over this period to £8.22bn.

During the year the Standard invested over four-fifths of its new money on its UK funds in equity-type investments — equities, property and index-linked gilts — with less than a fifth going into fixed interest securities. The vast bulk of investment was in UK equities.

At the end of the year, equity assets amounted to £3.44bn and property £1.34bn, while the gilt portfolio came to £2.03bn.

Investment in the other main operating territories of Canada and Republic of Ireland is restricted by the nature of the business transacted.

Mr R. C. Smith, in his chairman's review, referred to the Registry of Life Assurance Commissions (ROLAC)—the enterprise set up by a large group of life companies to set voluntary maximum scales of commission payments. He welcomed the backing which ROLAC could receive from the proposed statutory body envisaged in the Government's White Paper on Financial Services.

BOARD MEETINGS

TODAY

Interims: S. R. Gent, Grosvenor Group, John Maunders, Pacific Sales Organisation, George H. Scholes, Trafford Park Estates.

Finals: BICC, Jamesons Chocolates, Jones and Shipman, Hugh Mackay, Mersey Docks and Harbour, Pleasurama, Suter, Telfos, Trinity International, Willis Faber.

FUTURE DATES

Interims—
Adwest .... Apr 17
Baltic .... Mar 26
Frogmore Estates .... Mar 27
Pressac .... Mar 28

Finals—
Gee (Cecil) .... Mar 27
Henriques (Arthur) .... Apr 26
Jentes .... Mar 27
Laidlaw .... Apr 12
Linread .... Mar 28
Molynx .... Apr 11
Platignum .... Mar 25
Rotaflex .... †Apr 1
Sovereign Oil and Gas .... Mar 27
Spring Ram .... Mar 25
Stag Furniture .... Apr 2
Supra .... Mar 27
Tricentrol .... Mar 28
Westwood Dawes .... Mar 26
† Amended.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
A & G Security ......int.	0.48	May 10	0.48	—	1.2
Automotive Prod.	0.5	—	0.5	1.5	1
Barratt Devs. ....int.	2.31	May 24	2.31	—	7.62
Boddington's	1.62	May 7	1.5	2.85	2.64
J. Hewitt	2¶	May 8	2*	2.4	2.4*
Horizon Travel	3.52	—	3.12	4.4	4
Laing Properties	3.75	May 3	3.25	6.25	5.5
McLaughlin & Harvey ...	5†	May 23	5	7	7
1928 Investment	1.5‖	May 3	3.5	3.5‖	5.5
Paterson Zochonis ...int.	1.55	May 3	1.45	—	5.15
V. W. Thermax ......int.	nil‡	—	2	—	5.25
Watmoughs	4.53	Apr 26	3.79*	6.25	5.21*

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Corrected. ‖ For nine months.

Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
144	123	Ass. Brit. Ind. Ord.	142	—	6.6	4.4	7.9	9.4
151	135	Ass. Brit. Ind. CULS	148	—	10.0	6.8	—	—
77	51	Airsprung Group	57	—	6.4	11.2	8.3	7.5
42	28	Armitage & Rhodes	35	—	2.9	8.3	4.4	7.3
144	108	Bardon Hill	144	+1	3.4	2.4	14.5	24.2
58	42	Bray Technologies	50	—	3.5	7.0	5.8	8.3
201	170	CCL Ordinary	170	—	12.0	7.1	—	—
152	110	CCL 11pc Conv. Pref.	110	—	15.7	13.6	—	—
905	100	Carborundum Ord.	905	—	5.7	0.6	—	—
86	84	Carborundum 7.5pc Pf.	86	—	10.7	12.4	—	—
103	43	Cindico Group	43S	—	—	—	—	—
73	51	Deborah Services	54	—	6.5	12.0	5.1	8.3
312	182	Frank Horsell	312	—	—	—	12.5	16.4
288	170	Frank Horsell Pr.Ord.87	288	—	9.6	3.6	10.7	14.0
32	25	Frederick Parker	27	—	—	—	—	—
58	23	George Blair	58	+1	—	—	3.9	7.8
60	25	Ind. Precision Castings	25xd	+1	2.7	10.8	6.8	7.4
218	186	Isis Group	189	+1	15.0	7.9	7.5	13.6
124	102	Jackson Group	104	+1	4.9	4.7	4.8	9.4
285	213	James Burrough	255	—	13.7	5.4	8.0	9.0
93	83	James Burrough 9pcPf.	85	—	12.9	15.2	—	—
87	71	John Howard & Co.	85	—	5.0	5.9	6.7	12.3
171	100	Linguaphone Ord.	171	—	—	—	—	—
100	93	Linguaphone 10.5pc Pf.	96	—	15.0	15.6	—	—
615	300	Minihouse Holding NV	615	+3	3.8	0.6	44.2	48.4
120	31	Robert Jenkins	45	+1	5.0	11.1	—	—
80	28	Scruttons "A"	32	—	5.7	17.8	16.8	3.9
92	81	Torday & Carlisle	78	—	—	—	8.4	17.7
444	357	Travian Holdings	357	—	4.3	1.2	20.3	13.9
27	17	Unilock Holdings	25	—	1.3	5.0	12.6	18.2
98	81	Walter Alexander	95xd	—	7.5	7.9	9.4	11.4
247	224	W. S. Yeates	224	—	17.4	7.7	5.4	10.3

S=Suspended.

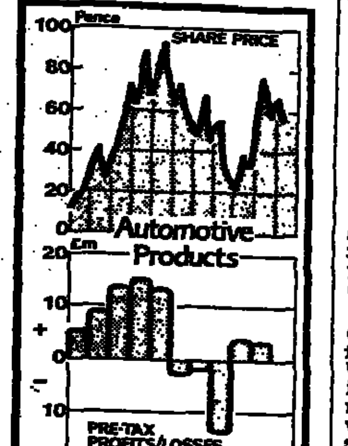
Prices and details of services now available on Prestel, page 48146

UK COMPANY NEWS

AP held at £3.9m after poor second half

STRIKES in the UK and the lack of letters of credit from Iran left second half taxable profits down from £3m to £0.8m at Automotive Products, vehicles and aircraft equipment maker, making the full 1984 turnout just behind at £3.9m, compared with £4m previously. In 1982 the group—products include Lockheed brakes and Borg and Beck clutches—suffered pre-tax losses of £14.1m.

The directors explain that in the UK the first half of the year was strong, reflecting major orders from Iran and full-time working in customers' plants.



However, the second six months was characterised by a significant fall-off in demand resulting from strikes at customer factories, the effect of the miners' strike on spare parts sales, and the lack of letters of credit from Iran.

The directors say that the full effect of this £13m downturn in sales was mitigated by the cost reduction programme already in train in the UK automotive division, which is continuing in the current year.

Total group sales on continuing activities finished ahead from £215.7m to £235.6m, the increase being accumulated during the first half of the year which brought in £129.1m (£110.8m).

After tax of £1m (£0.8m) earnings per 25p share are shown as 3.72p (4.18p) on a net basis and 4.37p (4.62p) on a nil distribution basis. Although the final dividend is unchanged at 0.5p the higher interim payment has boosted the total to 1.5p, against 1p.

The overseas companies began earning worthwhile profits in 1984, the directors state, justifying the investment in these territories over the last few years. As part of the policy that each division in the group should either become profitable or be disposed of, the loss-making filters division was merged with Coopers Filters, a subsidiary of Turner and Newall. The group's 40 per cent interest in the joint venture—Coopers AP Filters—is expected to contribute to group profits in the current year, it is stated.

Pre-tax figure for the year included associates share of £0.2m (£0.4m), but was after interest charges up from £7.2m to £7.8m, exceptional costs of £0.6m (nil)—which include start-up costs of the brakes factory in Italy—and a £0.9m (restated £3.1m) trading loss of activities sold (filters division).

There was also an extraordinary debit for the period of £2m (£1.7m).

Hawley restores stake in Kean & Scott

Hawley Group, the service industry concern headed by Mr Michael Ashcroft, yesterday bought 7m shares in Kean and Scott, its USM-quoted home improvements subsidiary. The purchase took its stake back to 75 per cent from the 68 per cent level to which it had been diluted by acquisitions.

Mr Peter Bain, a Hawley director, said the purchases made at 65p each, would have tax planning advantages for Hawley and would slightly improve earnings per share. Hawley has no plans to buy out the minority in Kean and Scott in the foreseeable future.

Watmoughs boosts print capacity

Watmoughs (Holdings) is raising £5.19m to help finance the expansion of its printing capacity following the recent signings of a three-year contract with Associated Newspapers for the production of the Mail on Sunday's colour supplement, You.

Mr Patrick Walker, group chairman, says that Watmoughs will spend around £9.5m on ancillary equipment and building alterations this year to enhance both its gravure and web offset facilities.

In addition to the You magazine contract, Watmoughs has agreed with Condé Nast Publications to print Brides and Setting Up Home from the Autumn 1985 preview issue and Beauty and Health in Vogue from the Autumn/Winter issue.

Also, the company is to print two inaugural 1985 issues of Country Living, the new launch from the National Magazine Company.

The fund-raising exercise, which accompanied yesterday's preliminary results announcement, is through a one-for-four underwritten rights issue at 240p per share—a discount of around 14 per cent to last night's closing price of 280p, down 15p.

Watmoughs' taxable profits in 1984 rose from £2.1m to a record £2.3m and Mr Walker says "we believe that 1985 will be another year of progress," and "another year of substantial development and investment."

The dividend total is being increased from the equivalent 5.21p to 6.25p with the directors recommending a higher final payment of 4.55p, against 3.79p—stated earnings per 25p share rose from 21.04p to 21.58p.

Capital expenditure in 1984 amounted to £2.94m, against £4.27m, but bank borrowings at December 31 stood at £6.12m compared with £3.51m a year previous.

Mr Walker attributes the increase to the continuation of the investment programme; the need to finance higher stock levels to meet greater volumes of business; and to counter the present shortages of quality lightweight coated papers.

After tax of £331,000, against £202,000, and dividend payments, Watmough's retained profits were virtually unchanged at £1.41m.

Total turnover expanded from £24.7m to £27m, which is evidence of the group's promotion policy for the quality magazine, security printing and packaging markets, says Mr Walker.

The deal with Associated Newspapers (the group's largest ever) was, he says, "a direct result of the group's involvement in the production of supplements for News International's Sunday and Sunday Times magazines."

The current year, says Mr Walker, will bear additional costs in connection with the You contract, with any benefits being restricted to the final two months.

This deal, which was signed in February, followed the cancellation by The Mail on Sunday last November of its contract with Mr Robert Maxwell's British Printing and Communication Corporation.

At the time of cancellation (one year's notice was given) BPCC was printing about 1.5m copies a week of the colour supplement and the contract was thought to be worth about £7m a year.

Rush and Tompkins in talks with builder

By Lionel Barber

Rush and Tompkins, the property and civil engineering group, said yesterday that it was holding discussions with the privately-owned building company, Joseph Cartwright, with a view to buying its operations in the North of England.

Rush and Tompkins' accountants are currently examining Cartwright's two subsidiaries, Cartwright Construction in Leeds and L. Brown and Sons in Wilmslow, with a view to fixing a price based on the realisable value of net assets. In the meantime, Rush intends to take over the day to day running of the businesses to ensure that current contracts and future tendering go ahead.

"The two businesses fit in very well with our plans to achieve national coverage for our construction business," said Mr Ken O'Brien, Rush and Tompkins' chief executive.

Mr O'Brien stressed that both acquisition targets were trading profitably. Their combined £25m turnover would add to Rush's expected turnover of £125m for 1985.

According to the last published accounts for 1983, Rush and Tompkins made pre-tax profits of £2.8m on £86.3m turnover. Although contracting contributed to 80 per cent of turnover, it only accounted for 30 per cent of profits. The bulk of profits came from the group's property interests.

Mr John Mitchell, managing director of Joseph Cartwright, said the disposal of the two companies would turn Cartwright into a property-owning business. Cartwright has already liquidated two other construction companies, having suffered losses in the West Country.

Boddingtons slightly ahead but volumes come under pressure

HIGH LEVELS of unemployment continued to put pressure on beer volumes, Mr Ewart Boddington, chairman of Boddingtons' Breweries, said commenting on the results for 1984, which was "a year of contrasting performance."

Taxable profits of this Manchester-based brewer rose by 4 per cent for the year, from £9.1m to £9.46m, on turnover ahead by £3.59m at £51.59m.

The directors are recommending a final 1.62p (1.5p) dividend, bringing the total for the year to an increased 2.85p (2.64p). Stated net earnings per 25p share rose from 6.59p to 6.95p.

The chairman says that the benefits of the company's capital investment programme — which amounted to £4.7m in 1984—are now clearly showing through, with a substantial increase in profits from its retail operations, particularly managed houses and catering.

He adds that the first few weeks of the current year indicate a continuation of the same pattern, with beer sales showing little sign of recovery while retailing continues to make additional profit.

Although beer sales were depressed during 1984 the sales of lager showed a "satisfactory improvement" the chairman says.

At the trading level, profits rose by £526,000 to £9.96m. Investment income added a lower £266,000 (£405,000), and finance charges took a higher £766,000 (£742,000).

After tax of £4.3m against £4.01m extraordinary items added £38,000 (£116,000) to leave attributable profit unchanged at £5.2m.

● comment

Up to 1982 local imbibers after a strong ale in the North West accounted for most of Boddington's sales. But unemployment—about 15 per cent in the region—and the phenomenal growth of lager have severely depleted that market. A thumping promotional advertising campaign by the major brewers and a trend towards lighter drinks generally have resulted in more Britons drinking lager than ever before. Sales of lager, only 10 per cent of total beer volume in the early '70s, now accounts for two out of every five pints sold and could well take half the market by 1990. This spells trouble for regional brewers like Boddingtons, which retails Heineken lager but does not brew its own brand. The launch of a Boddington-brewed lager this year could accompany acquisitions associated with the continuing restructuring of the group, as it moves further into retailing and catering to complement its traditional brewing base. The shares held steady yesterday at 80p where the p/e is 11¼.

IoM Steam rejects new package

BY CHARLES BATCHELOR

THE LOSS-MAKING Isle of Man Steam Packet Company, which plans to merge its mainland service with Sealink, yesterday rejected an alternative merger package from a Manx haulage consortium.

Island Carriers, a privately-owned Manx haulier, put forward a plan to inject its business into the Steam Packet in return for an issue of 750,000 new Steam Packet shares which would give Island a 23 per cent stake in the Steam Packet's existing equity.

The Sealink proposal is for the Steam Packet to halt sailings from Liverpool and take over Sealink's Heysham service. In return it would give Sealink a 40 per cent stake in its equity.

Mr Ron Kissack, general manager of the Steam Packet, said yesterday: "The Island Carriers plan is so bare. They make no mention of cash flows or bank facilities. There is nothing at all which has to be put forward to the stockholders of a listed company."

Despite this lack of financial detail Carriers had been able to forecast a pre-tax profit of £225,000 a year from the merged operation, Mr Kissack added.

Carriers had no experience of operating ships and its proposal would not solve the problem of overcapacity on the routes between the mainland and the Isle of Man, he said.

Mr Richard Britnell, finance director of Carriers, said Sealink's plans would lead to an increase in freight rates to the island while shutting down the Liverpool-Isle of Man service would reduce traffic.

He also claimed that Steam Packet was providing Sealink with a 40 per cent stake in its equity too cheaply. "They are giving the company away to Sealink," he said.

Carriers got together with Ronagency and Express Parcels, two other hauliers, to propose the alternative scheme, though Mr Britnell said yesterday that Ronagency had since withdrawn.

The companies could have guaranteed the Steam Packet £1m worth of haulage business a year, Mr Britnell said.

Discussions to merge the mainland-Isle of Man service of Sealink and the Steam Packet started after the Steam Packet moved into the red in 1984. It made a 1984 pre-tax loss of £304,000 compared with a profit of £395,000 the year before. Talks were also prompted by the acquisition of Sealink last July by Mr James B. Sherwood's Sea Containers group.

Tynwald, the Manx Parliament, yesterday voted to put the island government's 13.54 per cent holding in Steam Packet behind the Sealink merger plan. Shareholders will decide in principle on the Sealink proposals at a special meeting tomorrow.

The directors of Steam Packet last week bought the 10 per cent stake in their company previously held by James Fisher and Sons, the shipping group. This took their holding to 17 per cent.

Steam Packet's shares rose 3p to 136p yesterday.

Walford and Kaye

"Mr Charles Walford and Mr Peter Kaye have expressed their concern that in reporting their retirement from the board of Arenson Group plc (Financial Times December 5 1984) we may have given the impression that this was a direct result of the losses sustained by Roomsets Ltd, Arenson's bedroom furniture subsidiary of which they were directors. We have been asked to point out that the retirement of Messrs Walford and Kaye was the outcome of protracted and detailed negotiations which involved consideration of a number of issues including the sale of their shareholding in the group to Mr Archie Arenson (Chairman) and Mr John Sacks (Managing Director) and the Trustees of the Company's Pension Scheme and which we were unable to report in full in an article which was necessarily brief."

VW Thermax falls to £0.4m halfway

Pre-tax profits fell from £903,000 to £412,000, at V.W. Thermax, for the six months to end-December 1984.

On turnover down at £4.98m (£5.09m), this USM-quoted manufacturer of toughened glass products achieved a lower trading profit of £563,000 (£885,000).

There is no interim dividend (2p), but the directors hope that when full year results are known, they will be able to consider some payment. In the last full year there was also a final of 3.25p. Stated first-half earnings per share came to 2.77p (5.97p).

The directors point out that while the results are "disappointing," they include an exceptional write-off of £189,000 for obsolescent stock.

An accounting change is expected to produce a year end write-off as high as £600,000.

Mr H. W. Jackson, the chairman, told shareholders in the company's last annual report that if trading continued in a similar climate to 1983-84 the current year would see a satisfactory increase in turnover and profits.

Tax took a lower £90,000 (£208,000) to leave attributable profits down at £322,000 (£695,000).

L & G has £3.4bn in pension funds

Total pension fund assets under management of Legal and General Assurance (Pensions Management), a member of Legal and General Group, amounted to £3.44bn at the end of 1984. The total number of clients was 661.

The largest growth area was that for segregated funds which amounted to £1.47bn for 42 clients.

Among the discretionary funds, the specialist fund amounted to £357m and the trustee controlled fund £822m. This move, claims Mr Keith Hall, the company's chief executive, reflects the growing demand from clients for more flexibility in their investments.

During the year there was an acceleration in the number of clients switching from a broad investment approach to individually designed portfolios with more emphasis on specific investment areas. The specialist and segregated funds attracted an extra £561m.

A & G hit by heavy expenditure

Heavy promotion expenditure adversely affected A & G Security Electronics with taxable profits falling from £457,000 to £405,000 in the half year to January 31, 1985.

However, the benefits of this will be seen in the second half, the directors state, and they look forward to "another successful year."

The American marketing subsidiary, A & G Security Products has now been established. Sales into America will begin in the second half.

The company continues to place heavy emphasis on product development and expects to benefit from the new specially-developed microchip products being introduced in the second half.

With cash balances in excess of £750,000, the company continues to be in a strong position to take advantage of suitable expansion and acquisition opportunities.

Midyear turnover of this security equipment maker was little changed at £1.95m (£1.91m). Sales in the first two months were hit by the imposition of VAT on residential burglar alarm systems. However, since October sales have returned to their previous level and buoyant sales in January made good the earlier shortfall.

Interim operating profits fell from £435,000 to £374,000. Net interest contributed £31,000 (£21,000) to taxable profits.

The interim dividend is unchanged at 0.475p—last year's final was 0.725p. Half-time earnings per 5p share are quoted at 2.2p (2.21p) fully taxed and 2.2p (2.54p) based on the actual charge.

Cartwright/DMK

The directors of R. Cartwright have entered into a share option agreement to buy DMK Process Engineering, exercisable between April 9 and 23 1985.

The purchase price, payable in cash on completion, is £875,000.

New London Oil seeks SE quote for 30% of equity

New London Oil, one of the largest UK-based companies formed to back oil and gas exploration, development and production in the U.S., is being floated on the Stock Exchange with a market capitalisation of £37.6m.

Merchant bank Robert Fleming is seeking a full listing for the company through an underwritten offer for sale of 6.5m shares, or 30.3 per cent of the equity, at 175p each. These are all new shares, being sold to raise £9.5m net for the company.

The remaining shares will stay in the hands of existing holders, largely UK institutions, who have put together New London Oil by pooling their interests in U.S. production and exploration acreage.

New London's production stake is chiefly in oil and gas production in Baldwin and Kincaid fields in South East Kansas. With the help of funds from the offer for sale, it is buying proved, but undeveloped, acreage in Weld County, Colorado, and also acquiring stakes in two exploration prospects—one in Washington County, Colorado, and the second in Laramie County, Wyoming.

Brokers to the issue are W. Greenwell.

● comment

There is always a faint suspicion that UK investors will never get the best deals in U.S. oil and gas—somehow it seems impossible that the Americans will not get there "fastest with the mostest." However, New London Oil looks like a particularly sound way of taking on the Americans—it is bigger not only than the average London-based company, but also than the average U.S. company of its kind. Moreover, with existing production the group seems particularly well financed—it should have no trouble meeting its positive cash projections, and making the most of any new discoveries. Existing shareholders including Electra Investment Trust, may be using New London as a means of putting an open market value on their interests—but they are not selling out, or at least not yet. Finally, if all oil and gas investments need a little luck, investors should take heart—W. Greenwell, the broker, also brought high-flying Falcon Resources to the market. At a 36 per cent discount to estimated discounted net asset value of proven and probable reserves it looks attractive.

Brick boost for Dunton

TREBLED profits from brick making and waste disposal have boosted the pre-tax figure at Dunton Group from £47,192 to £78,449 for the six months ended November 30, 1984, a rise of 66 per cent. A similar increase was achieved in turnover, up from £322,80 6to £539,613.

Mr Alan Sore, chairman of this Woodford-based concern which is also involved in civil engineering and property developing, says the first phase of the company's sheltered housing joint venture in Chesham is nearing completion with all flats being sold.

He states that the second half of the year will include a first-time contribution from the sales of sheltered homes as well as continued profits from brick making and waste disposal.

Mr Sore points out that the company's civil engineering activities remain depressed, but a minimum structure is being maintained on which it can rebuild when market conditions improve.

There was a tax credit of £137 (nil) for the six months and after an extraordinary debit of £22,423 last time, distributable profits came through at £78,586, compared with £24,769.

Bestobell defers profit announcement

Bestobell, the specialist engineering company, has deferred an announcement of its 1984 preliminary results, due to have been made today. The company warned the City last month that its profits would be well below expectations because of trouble with its operations in Australia and Southern Africa.

Bestobell said yesterday that it was deferring an announcement to enable its publicly quoted Australian subsidiary to conclude an important preliminary stage of negotiations taking place, following losses on a thermal insulation contract at a power station in Victoria.

Metalrax expands

Metalrax Group, engineer, has lifted taxable profits by over £1m in 1984. The result was £3.06m against £2.04m.

The final dividend is raised from an equivalent 1.45p per share to 1.6p for a 2.27p total (2.0636 adjusted), with earnings stated at 6.41p (4.63p) per share. The directors propose a one-for-ten scrip issue.

Turnover was up from £24.54m to £30.15m, and the tax charge was £1.19m (£701,000).

McLaughlin & Harvey

McLaughlin & Harvey, Belfast-based builder and civil engineer, returned lower taxable profits of £1.47m, against £1.67m, for 1984. Turnover came to £52.71m compared with £51.87m.

The dividend total of this USM stock is being held at 7p by an unchanged final payment of 5p. Stated earnings per share were 21.5p (32.9p) after tax of £596,000 (£338,000) — there were extraordinary credits this time of £207,000.

Yearlings unchanged

The interest rate for this week's issue of local authority bonds is 12¼ per cent, unchanged from last week, and compares with 9 7/16 per cent a year ago. The bonds are issued at par and are redeemable on March 26 1986.

A full list of issues will be published in tomorrow's edition.

Barrow Hepburn

Of the 6.52m shares offered in a rights issue by the Barrow Hepburn Group, 5.89m shares (some 90.4 per cent of the issue) have been taken up. The balance has been sold in the market and net proceeds will be distributed to holders entitled thereto.

It is intended that the report and accouns for 1984 will be despatched on March 26.

MINING NEWS

Tongkah Harbour hit by Thailand's devaluation

BY GEORGE MILLING-STANLEY

SHARPLY lower profits from a tin-producing associate in Thailand, plus a heavy loss on foreign exchange following the 17 per cent devaluation of the Thai currency last November, combined to give Malaysia's Tongkah Harbour Tin Dredging an attributable loss of M$251,000, in the half-year to the end of December 1984.

Tongkah Harbour also announced the terms of a takeover bid from Bena Holdings, which was triggered automatically when that company became the majority shareholder following Tongkah Harbour's acquisition of Bena Plantations from the parent company in exchange for shares.

Bena Holdings, which already own 8.3m Tongkah Harbour shares, has offered M$4.80 for the remaining 4.4m shares. The price, which is equivalent to 173p, compared with the current share price of 245p, down 5p, is not expected to attract many acceptances, leaving Tongkah Harbour free to pursue its policy of diversification away from the depressed tin mining business.

The tin side of Tongkah Harbour's business contributed just M$35,000 to pre-tax profits, compared with M$344,000 in the corresponding period of the previous year, as the export and production controls imposed under the terms of the sixth International Tin Agreement continued to bite.

This left the company almost entirely dependent on its investment income of M$247,000, against M$285,000 last time. Tongkah Harbour also suffered an increased tax charge of M$241,000, up from M$200,000, in consequence of local tax payable on interest income from abroad which is remitted tax free to Malaysia.

Tongkah Harbour outlined plans to broaden its earnings base while at the same time enhancing immediate progtability through the plantations acquisition in the last annual report. Mr Abdul Rahim Aki, chairman, said that profits should increase as the acreage of young oil palm and cocoa reached maturity.

BANK RETURN

BANKING DEPARTMENT

	Wednesday March 13 1985	Increase (+) or Decrease (−) for week
LIABILITIES	£	£
Capital	14,553,000	—
Public Deposits	5,357,962,950	− 174,669,424
Bankers Deposits	742,152,043	− 82,655,816
Reserve and other Accounts	1,583,212,432	− 57,247,444
	7,697,880,425	− 314,572,684
ASSETS		
Government Securities	507,054,737	− 71,521,891
Advance & other Accounts	1,017,468,574	+ 10,745,296
Premises Equipment & other Secs.	6,168,711,780	− 253,110,425
Notes	6,430,043	− 678,665
Coin	235,291	− 7,499
	7,697,880,425	− 314,572,684

ISSUE DEPARTMENT

LIABILITIES	£	£
Notes in circulation	12,033,569,957	+ 678,665
Notes in Banking Department	6,430,043	− 678,665
	12,040,000,000	
ASSETS		
Government Dept	11,015,100	—
Other Government Securities	2,574,745,224	− 14,049,453
Other Securities	9,454,239,676	+ 14,049,453
	12,040,000,000	

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Management consultancy

Accountants think big in Europe

BY ALISON HOGAN

JUST ON a year ago, senior partners of Coopers & Lybrand Associates, management consultants, in eight European countries, agreed to put up $1m to establish a high powered pan-European consulting group.

Coopers, in company with many of the major accountancy firms, has mounted an aggressive attack on the management consulting market from its blue chip audit client base.

More recently, the firms have begun shifting from consultancy involving the operational activities of companies towards advising on strategic matters — an area traditionally dominated by giants such as McKinsey, Booz Allen and Arthur D. Little. It is easier for the accounting firms to establish a small team of highly skilled strategists than it is for the strategy boutiques to acquire the formidable support of an international network of offices such as the accounting firms have.

For all of them people have proved to be the biggest constraint on growth — people of sufficient calibre and in sufficient numbers. Each firm is tackling the problem in a different way.

Touche Ross, for example, recently merged with Braxton, a strategy boutique with a staff of 80 and offices in Boston, Houston, London and Paris. Braxton benefits from Touche Ross's extensive international organisation and operational consulting while Touche adds international strategy management to its existing treasury management and taxation specialisations.

Price Waterhouse strengthened its manufacturing expertise when it merged last year with Urwick Orr. Three years ago it set up a pan-European consultancy, PEC, to augment the work of its European and Irish practices. In the year to September 1984, 15 joint assignments were undertaken for clients which included the Portuguese Electricity Authority and World Food Programme in Italy.

Coopers has seen its management consulting staff grow by 22 per cent a year throughout Europe between 1981 and 1983.

Unlike Price Waterhouse, with its single continental European practice, Coopers has separate national practices which have developed informal links, allowing the smaller ones, in particular, to call upon the resources of the larger ones.

Support has tended to be Anglo-American dominated and the decision to establish a European wide consultancy, Coopers and Lybrand Associates Europe, CLAE, was motivated by a desire to evolve a European response to the problems of European companies.

"We saw a positive commercial and competitive advantage in having a European group," says Ian Hancock, chairman of C & L Associates UK. "Clients find the notion of an integrated service attractive."

Internal recruits to CLAE are delighted with the new operation. "CLAE has moved management consultancy quite quickly into a different ball-game," says Ralph Bullock, deputy managing director of CLAE, formerly head of Cooper's consultancy operation in France. "Top consultants tend to like to work in an international environment, yet there is a strong sense of independence in the national factories. We feel it is important to preserve."

Intellectual

The success of CLAE rests crucially on building up the right team. It is 16 strong now and may grow to a maximum of around 25.

"We are looking for a high level of intellectual ability and a flexibility needed in today's technology-based market," says John Pendlebury, managing director of CLAE. "The operation is concentrating on four, sometimes overlapping, areas of specialisation. These are: technology and systems strategy for the manufacturing sector; information technology; the financial services sector; and corporate strategy and profit improvement.

Michael Black and Dick Stewart were wooed away from top strategy consulting groups to Coopers for what they call its environment of "professional entrepreneuralism."

"They like the strong partnership structure and shared values and having the "experience and competence on the ground" to implement their proposals for clients.

Joining CLAE was a challenge that Sverker Lundkvist, a Swedish financial specialist could not resist. Vice-president and head of the group finance department of the Swedish multinational, Alfa-Laval, he liked the idea of joining "a pool of people "all slightly different and highly individualistic" and yet part of a firm with a back up of 2,000 consultants worldwide.

Other people attracted to CLAE include Michel Neuve-Eglise, who recently joined from Avions Marcel Dassault where he was the executive responsible for development of advanced manufacturing technologies; and Alfred Schuler who came from CMG, the international computer services company where he was managing director of the German company. Schuler was previously partner in charge of Arthur Andersen's German manufacturing practice for several years.

All CLAE members divide their time between CLAE work and different national practices, though their relations with the national firms vary depending on circumstances. "We wanted to define the national priorities and the role that CLAE could play first and then decide on the most appropriate organisational link which would maintain the greatest flexibility," says Pendlebury.

Among his existing clients is the European subsidiary of Digital Equipment Corporation, based in Geneva, where CLAE has been assisting the computer group establish its profile in a number of European markets and identify an appropriate product strategy for the future.

Digital Equipment might be thought to have sufficient resources to undertake all its own research but Barry Nay, the European manufacturing industries marketing manager, welcomes CLAE's assistance.

He also likes the fact that high quality conceptual work can be backed up by the resources to undertake more detailed groundwork in different countries. It is a view echoed by Henk Mulder, Director of Logistics at Philips Medical Systems.

Coopers had undertaken a major consulting exercise for Philips Medical Systems at Eindhoven, in the Netherlands, to review the manufacturing logistics of the group. Its recommendations were radical and involved a major overhaul of the business, which, because of its potentially disruptive effect, had to be conducted speedily and with a guarantee of success.

"We asked Coopers to present benchmarks by which the logistics could be improved and constructed a contract by which Coopers would share the liability if those benchmarks were not reached," says Mulder.

Coopers accepted the contract and completed the work which is beginning to produce the required savings. Though the business of Philips Medical Systems has almost doubled since 1982, manufacturing inventories have risen less than proportionally and productivity has improved.

A project undertaken for Hunter Douglas illustrates the potential add-on effect of consulting work with international clients.

Hunter Douglas, with a $600m turnover, asked Coopers' Netherlands firm to undertake a major project in 1981 to implement new manufacturing, planning, control and performance reporting systems in the Dutch operating company.

At the beginning of 1981, Coopers' Dutch firm had only two full-time consultancy staff who undertook the work jointly with the UK consultancy firm.

Pleased with the estimated benefits of the exercise of some $2.4m per annum, Hunter Douglas last year asked Coopers to assist in another project to establish an information centre, and from that further work arose in North America, Australia and Hong Kong.

Meanwhile, the Netherlands consultancy firm has managed to build up its staff over the last couple of years to 30.

Although CLAE has only been fully operational for six months, the directors have quickly built up their work to a profit-making leverage of 5 to 1—that is to say, one man generates enough work for five others. John Pendlebury does not expect the team to expand above 25, to maintain the close personal relationship they believe is a crucial factor.

They try to meet every six weeks or so, though different members within the team will see each other more frequently when working on common projects.

They appear to have helped ease the recruitment bottleneck, as Coopers MCS staff throughout Europe increased by 36 per cent last year to 892. And they expect the number to rise by 20 per cent per annum for the next two years.

Ian Hancock: a commercial advantage in having a European group

A question of credit

Arnold Kransdorff on a formula for predicting corporate collapse

ALEXANDER BATHORY has an uncomfortable message for UK credit managers. Nearly half their customers are financially less sound than they—or indeed, the customers themselves—think.

A specialist in credit analysis and trade financing, he has just completed a survey of around 350 companies to illustrate the use of his new, easy-to-use financial model to predict corporate collapse.

While none of the companies investigated was in imminent danger of insolvency, his conclusion was that the credit rating of 45 per cent of them was undeserved, and that credit managers were consequently extending too much credit to a significant proportion of their customers.

A credit manager's exposure to the whole problem of late payment and bad debts can be judged against the background of record company failures in 1984.

For years Bathory, who runs a credit analysis company called Trade and Commercial Credit Corporation—last year he processed £1.5bn of trade credit—has been using proprietorial and other financial formulae to work out the credit worthiness of thousands of companies for his clients. More often than not, the techniques he used—in common with those used by banks, stock brokers and credit reporting companies such as Dun and Bradstreet and ICC Group—were highly complicated, requiring the use of specialised computer software and the services of highly-paid statisticians.

Generally, the techniques used are based on so-called Zeta Analysis, which was developed in 1968 by Edward Altman of New York University. In the UK it is more commonly called Z-Score Analysis and operates on a principle called Multiple Discriminant Analysis (MDA), a statistical technique most effectively popularised by Dr Richard Taffler, head of the accountancy division at City University Business School.

MDA is a complicated statistical technique using weighted ratios to assess credit worthiness. In contrast Bathory claims to use a more simple formula that is easier to understand and use, takes less than 10 minutes to calculate and requires no advanced mathematical knowledge or expensive computers.

Bathory's new approach to credit analysis* arose out of a desire to simplify the whole technique of calculating credit-worthiness.

With a colleague he began to refine the available formulae and started to test his new financial model last year.

His formula takes account of five main financial flows that contribute to insolvency. Having worked each one out, he simply adds them all up and divides by five to make the final score more workable.

If the final figure is a negative one or between zero and 20, the company has either failed or is close to failure. If the score is over 20 he considers the company safe for the next two accounting years.

The first of his key financial flows is what he calls current debt serviceability. This finds out whether the company can service its current volume of debt through ordinary operating income.

This is calculated by dividing gross cash flow (net profits, plus depreciation plus any increase in deferred tax) by current debt (financial creditors, including any preferred and/or preferential creditors).

He next takes a look at annual profitability by dividing the company's profit before tax and interest receivable by capital employed.

The third of his key financial flows is to calculate whether or not the company is adequately capitalised. This is done by dividing equity by current liabilities. He defines the former as shareholders' funds including paid-up share capital, profit or losses from prior years, other reserves such as sinking funds, preferred share accounts or directors' loan accounts and the latter as all obligations payable within the year, including trade creditors and tax.

The fourth element of the formula is to measure the company's cumulative profitability over the year. He calculates this by dividing tangible net worth (the realisable worth of the company net of all liabilities such as capital commitments and net of intangible assets such as goodwill) by total liabilities (current liabilities plus capital commitments plus contingent liabilities such as the outcome of a law suit).

Finally, he calculates the company's liquidity by dividing working capital by total assets. Working capital is defined as the difference between current assets and current liabilities while total assets are fixed assets, plus investment, plus current assets, such as trade debtors.

The sum total of each ratio and the multiple gives Bathory his final score.

* *Predicting Corporate Collapse, available from FT Business Information, 102-108 Clerkenwell Road, London EC1. Price £65.*

BUSINESS PROBLEMS — BY OUR LEGAL STAFF

Director's legal obligations

I was recently made a director of the small (a dozen staff) company for which I work, but the position is fairly nominal as the chairman is also the de facto proprietor and has firm opinions one what he wants done or not done.

I appreciate that I have some legal obligations as a director and I should be grateful if you could recommend a straightforward guide to them. Also, could you please say what my position would be if the company was guilty of some breach of tax or company law.

As a director you would face the same sanctions as other directors for infringement of the law; but you can seek relief from liability under Section 448 of the Companies Act 1948 in appropriate circumstances. You can find a review of the position in the chapter on directors' duties or liabilities in any leading textbook on company law, such as Palmer or Boyle & Sykes (Gore-Brown) or Pennington.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

TECHNOLOGY

EDITED BY ALAN CANE

BETTER CONTROL OF EVERYTHING FROM BAKING TO CHEMICAL PROCESSES

Novel breed of industrial sensors emerges

BY PETER MARSH

FROM CARS to chemical plants and from military bases to mushroom farms—a new breed of sensing equipment is about to make its presence felt in a variety of diverse areas.

The new sensors, which are based on semiconductor technology and measure chemically-related quantities such as the concentration of gases or the conductivity of solutions, are likely also to figure in equipment in the home.

They may usher in ovens that turn themselves off when cakes are cooked and cheap health-monitoring devices, which, for instance, check on nutrients in the blood.

The active parts of the new equipment will often be semiconductor chips that cost no more than a few tens of pence.

In one class of such sensors, called ChemFETs, the semiconductor material (in this case in the form of a transistor based on silicon) is bonded to other substances whose chemical or physical form is changed in the presence of a gas or liquid.

The change would alter the electrical characteristics of the semiconductor, triggering a pulse of electrons that, in turn, activates a display or some other signalling device.

In a second type, thin layers of chemicals are impregnated into a crystal such as quartz that vibrates at a specified frequency. Any change in the chemical state of the layer, caused by the action of gases or liquids, alters the vibration rate. Detecting the change in the vibrations indicates the type of substance that is present.

A third category of sensors incorporates microscopically-thin optical fibre that acts as a conduit for light pulses of specified frequencies. Light channelled by a semiconductor-based device (a light-emitting diode for instance) into one end of the cable is reflected or absorbed by a chemical at the other end.

A sensor (another diode) detects the intensity of radiation due to reflection or absorption, so providing information on the nature of the chemical. Fibre-optic sensors could, for instance, monitor colour changes in an enzyme reaction used in medical diagnostics or analyse spectroscopically gases or liquids in a food-processing equipment.

The new sensors could have a big impact in process industries, which turn out anything from cement to chocolate.

Virtually all the sensors used in process plants are simple devices that detect physical parameters such as temperature, pressure or flow rate. The current generation of chemical sensors are largely bulky and expensive and confined to laboratory instruments.

The new equipment could improve the ability of plant managers to control reactions with automated equipment. Information from the sensors could be channelled to computerised control units which adjust valves and other equipment.

Few companies have announced products in new chemical-sensor technology but industry observers say the annual market for new products based on the devices could be worth tens of millions of pounds by the early 1990s.

Thorn EMI is interested in applications of the sensors in domestic appliances and the security business. Semiconductor devices that measure humidity or the concentration of gases could be placed inside cookers to detect when the Sunday joint is cooked.

Plessey's Caswell research centre in Towcester, is examining uses in medical technology, for example to detect enzyme changes or the presence of organic molecules.

Lucas, the car-components company, is interested in sensors for jobs such as battery checks, engine management and the monitoring of exhaust gases and anti-freeze. The most far-reaching suggestion is for a humidity sensor linked to a car dashboard that, by detecting rain, would automatically turn on windscreen wipers.

Toyota, Ford and General Motors are among the car companies working on these new forms of detection devices. Japanese companies such as Fujitsu, NEC and Kuraray (a fibre producer) are investigating sensors for general use, as are IBM, ITT, Johnson and Johnson, Kodak and Beckmann of the U.S.

Britain, meanwhile, is well up with other countries in research into the new chemical sensors. The Department of Trade and Industry's Laboratory of the Government Chemist is sponsoring a "club" of companies and universities working in chemical sensors.

The club, whose inaugural meeting in London is on May 2, is to organise joint research and facilitate the exchange of ideas. The DTI believes the new group will attract 100 members by the end of the year.

Besides well-known companies such as Unilever, ICI, BP and Beecham that have expressed interest in joining, the club has attracted some of the smaller fry. Among the latter is Blackpool-based Mereside Mushrooms, which employs 50 people and grows £1.2m worth of the fungi a year.

Mr John Bleazard, the company's chairman, says the mushroom industry badly requires new kinds of sensors that monitor water vapour and gases such as carbon dioxide. Current environmental monitoring equipment, used in the buildings in which mushrooms are nurtured all the year around in highly controlled conditions, is not sophisticated enough.

Academic groups in Britain investigating chemical sensors include teams at London's Imperial College, the University of Wales' Institute of Science and Technology and Warwick University.

With £107,000 over three years from the DTI, the University of Manchester Institute of Science and Technology has set up an optical sensor research group in a new Department of Instrumentation and Analytical Science.

The group is investigating fibre-optic chemical sensors in collaboration with 10 companies that are each funding the research with £11,500. ICI and Elf are interested in using the sensors, in chemical plant and to detect noxious gases in oil tankers.

Kent Industrial Measurements, Delta Controls, Pilkington, Pye-Unicam, Rosemount, Servomex and Hewlett Packard plan to incorporate the new devices in instruments that they sell to industry.

The final sponsor of the research is Hunting Engineering, which is engaged mainly in military work. It is interested in sensors that, for instance, detect nerve gases in warfare.

One company with strong links with researchers is Cambridge Life Sciences, a small concern of 30 people on Cambridge's science park. The company is working on a hand-held device that would monitor the quantities of glucose in the blood stream of diabetics, who make up 2-3 per cent of the population of developed countries.

The device, a small box the size of an audio cassette, has a membrane in which is impregnated an enzyme that reacts with glucose. The reaction produces an electric signal (a result, perhaps, of a change in conductivity of the solution embedded on the membrane) that is converted by chip-based electronic hardware to a reading on a small display.

The product, which the Cambridge company hopes to sell for less than £100, could record the blood-glucose level of a person with diabetes for up to a month or so. It would help the person to control the disease by infusion of the corect amounts of insulin.

Similar techniques could be applied to monitoring other substances in the body, for instance hormones or antibodies that fight off diseases. The equipment could be based either in hospitals for quick diagnosis of ailments or could be sold as "do-it-yourself" kits for monitoring health in the home.

THE CURRENT generation of chemical-sensing equipment is represented by the hardware that litters chemistry laboratories—spectrometers, chromatographs and the like.

Although the devices give perfectly good results, they are too bulky or expensive to be connected on-line to the computers that control process plants.

The goal of researchers in microchip-based chemical sensors is to put the functions of such hardware into a form that can be fitted with ease into automated factories. The process industries rather than engineering workshops are likely to be the main beneficiaries.

In the latter, managers are content with obtaining information about purely physical quantities, the position of a robot arm or a cutting blade in a machine tool for instance. These quantities can be monitored reasonably easily with conventional sensors such as light cells or pressure pads.

Devices that measure the pH (degree of acidity) of solutions are among the few chemical sensors that find much application in process plants. The equipment detects hydrogen ions (which indicate pH) by measuring the conductivity of a solution.

The new sensors could follow the same principle but use microelectronic devices to register changes in the flow of electricity through a liquid. Alternatively, chip-based devices could monitor the alteration in radiation-absorption characteristics of solutions or gases.

Sensors based on the latter technique could feature in low-cost detectors sold to householders to spot leaks of North Sea gas. According to British Gas, no leak-spotting devices are available at present that are cheap and reliable enough for domestic applications.

Gas detectors in industry are generally based on ceramic devices, parts of which react with substances such as carbon monoxide or hydrogen sulphide. This increases the temperature, reducing the conductivity of the device—a change that can be sensed electrically.

Such equipment is ruled out for household use—it may cost several hundred pounds and require periodic maintenance and calibration.

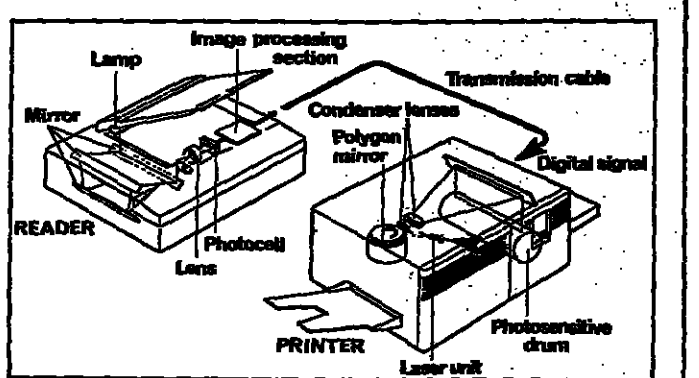
Chip-based sensors that monitor the absorption characteristics of gases may also be incorporated in new fire detectors. Current devices detect smoke either by spotting optically when particles interrupt the passage of a light beam or when they change the electrical characteristics of ionised air.

They detect smoke only over short distances—which is why buildings such as stores or office blocks need to contain hundreds of individual detectors, each costing typically about £30. The new devices, however, should be able to look out for smoke or gases over longer distances and may be cheaper and more sensitive.

PHOTOCOPIERS

Canon lets in the light machines

BY ELAINE WILLIAMS



A laser copier differs from a conventional one by the separation of the machine into two parts—one to scan information digitally and the second to print out the scanned image.

PHOTOCOPIERS are entering a new era of sophistication. Canon, yesterday launched its laser photocopier—a product it hopes will help strengthen its already dominant position in the market.

In the UK alone Canon has about 35 per cent of the copier market mainly through its low and mid volume copiers including the range of low cost personal copiers it introduced a few years ago.

With its laser printer, the company competes directly with companies such as Rank Xerox and Kodak who sell into the top end of photocopying.

Though most of the photocopier makers are working on laser systems, Canon is the first company to have a commercial product which will be available in the UK from June.

Its copier comprises two separate units—a reader which scans the original image and the printer which turns the electronic image from the reader back into printed form.

The reader is rather like a conventional copier in that the original document is first illuminated by a lamp. Light reflected from the dark and light areas of the original, is passed by mirrors and focussed by a lens onto light sensitive elements. The image is thus split up into tiny picture elements called pixels by the photodetectors. Light and shade is represented by different voltages within each picture element.

In the form of an electrical signal, electronic circuitry can change the image—shrink its size, or reverse black and white, for example.

After processing the electronic images from the reader are sent over the transmission cable to the printer unit. Here the incoming electrical signal modulates a laser beam, which scans across a photosensitive drum. This creates a pattern of electrostatic charges as in conventional photocopying machines. Ink attracted to the drum by the charge is transferred to paper and fixed to produced a copy of the original document.

Because the photocopier codes the image, rather in the way that a computer stores information, it has the potential for future advances.

Already, one reader unit can control up to four printers simultaneously. But telecommunications and local area networking technology now being used for computers will allow the printers to be miles away from the reading unit or the printer part of the copier could be connected directly to computers or word processors. None of this is yet available, however.

Laser copying is fast. With four printing units connected the speed is 180 copies a minute. The cost for the most simple reader and printer units starts at about £12,000 but goes up to about £60,000 with four printers.

Aerobies

Jammed switchboards

Our switchboard has been inundated, the Standford University Engineering Department switchboard has been inundated. Everybody wants to know about aerobies, the super-frisbees invented by Alan Adler which can travel, seit is said, over 1,000 feet (this page, March 12).

So, in self defence, we are publishing the telephone number of Mr Adler's company, Superflight Inc. It is (415) 493 5050. Mr Adler, a consultant and inventor who teaches sensor technology at Stanford, established the company to market the device after previous creations proved commercial disappointments.

If you feel the need to help reverse Mr Adler's fortunes you can send $10, which includes postage and packing, to Aerobie, PO Box 2025, Dallas, Texas 75221 and Mr Adler will send you your very own aerobie to throw as you please.

FINANCIAL TIMES

Wednesday March 20 1985

Gold price soars as dollar weakens, Page 40

WALL STREET

A significant push to high levels

STRONG advances among broadcasting, technology and gold mining stocks underpinned a surge in share prices yesterday which took the Dow Jones industrial average up 21.42 to 1,271.09 – the largest one day rise since January 21, *writes Michael Morgan in New York.*

Trading volume, of almost 120m shares was well up on the previous day's 95m.

In the credit markets, bond prices were little changed in the wake of a federal funds rate that opened at 8⅝ per cent and later eased to 8 9/16 per cent. Some surprise was expressed at the absence of any Fed move to add liquidity through a customer repurchase arrangement. The Fed did, however, buy $350m of bills for customer account.

The price of the key long bond added 15/32 to 94 23/32 while prices of Treasury notes were also marginally higher as the Treasury announced details of its quarterly mini refunding programme next week.

In the event, this called for a total of $16.25 in new securities to raise $12.8bn in new four and seven-year notes and 20-year bonds.

In the money markets, yields on Treasury bills were also steady around the levels set at Monday's weekly auction. The three-month bill, yielding 8.60 per cent, was 2 basis points lower while the six-month bill, yielding 9.03 per cent, was 1 basis point higher. Yields on certificates of deposit were up to 10 basis points lower.

In the stock markets, Capital Cities Communications which was delayed in opening because of an order imbalance, returned to trade up $19 at $202½. Two analysts had recommended the stock after the group's planned $3.5bn merger with ABC.

ABC itself added a further $1¼ to $107, in heavy volume, after Monday's $31⅜ surge.

The other broadcasters continued to benefit with CBS a further $3½ ahead at $98 after Monday's $6 advance. RCA, parent company of NBC, added $1½ to $41⅞ and Time-Life put on $2¼ at $51⅜. Cox Communications, delayed at the opening because of an order imbalance, returned to trade up $5⅛ at $62¼.

The Miami-based Storer Communications rose $5⅜ to $69¾ as a group of investors announced plans to seek election to the board. If elected, they plan to sell all Storer's assets and distribute them to stockholders.

Phillips Petroleum was also an active feature in continued reaction to the debt-for-equity swap. The ordinary shares declined a further $3¼ to $41⅛ while the new, when distributed, issues put on $2 to $38⅞. Chevron was up $⅝ at $34¼.

Gold miners drew benefit from the higher bullion prices with Campell Red Lake up $2¼ to $21⅛ and Dome Mines up $1¼ at $9¾.

Corporate reporters included Carter Hawley Hale, the department store group, which added $1¾ to $26¾ despite the fall in last year's net income. Humana, the hospital group, dipped $¼ to $27⅞ as it announced higher half-year figures.

Elsewhere, National Can traded $1¼ higher to $41 after Mr Carl Icahn, the New York investor, and a group of companies he controls, revealed they had purchased a 9.1 per cent stake.

Gulf & Western added $1¼ to $31¾ after the stock was recommended by a brokerage house, while Stone Container slipped $⅝ to $25⅛ as it was removed from an analyst's recommended list.

In the banking sector, Citicorp was actively traded, up $1⅜ to $42⅞ after a higher quarterly dividend.

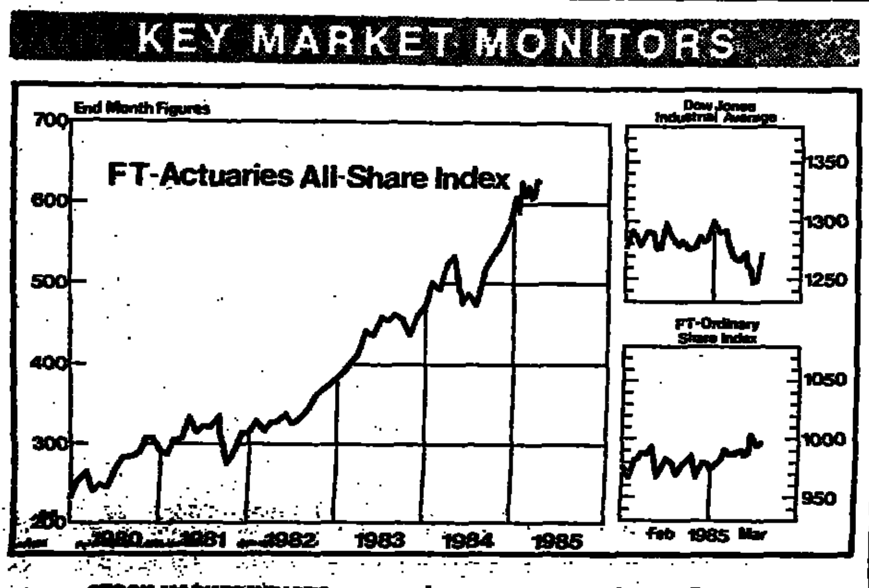
IBM closed up $2½ at 130⅞ on the NYSE, ahead of its announcement that it was pulling out of the personal computer market.

AT&T improved $⅛ to $21½ as it unveiled a portable testing device for spot welding which it claims can improve quality control methods on motor vehicle production lines.

Burroughs was up $1⅜ at $59⅛. It plans new products in an effort to expand its presence in office automation. Eastman Kodak, also rose $⅛ to $68¾ as it introduced two new plain paper copiers.

On the American Stock Exchange, active features included Echo Bay Mines, up $1⅜ at $11½, Wang Laboratories, $⅛ lower at $19⅝ and Dataproducts, $⅛ higher at $14⅛.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Mar 18	Previous	Year ago
NEW YORK			
DJ Industrials	1,271.09	1,249.67	1,171.38
DJ Transport	603.30	594.77	511.52
DJ Utilities	148.70	147.18	127.02
S&P Composite	179.54	176.87	157.78
LONDON			
FT Ord	997.5	995.4	897.5
FT-SE 100	1,304.5	1,300.3	1,109.7
FT-A All-share	628.88	627.87	528.20
FT-A 500	687.66	688.05	574.83
FT Gold mines	507.0	481.7	700.4
FT-A Long gilt	10.73	10.77	10.12
TOKYO			
Nikkei-Dow	12,477.99	12,506.64	10,479.8
Tokyo SE	1,003.0	1,000.1	823.08
AUSTRALIA			
All Ord.	793.9	790.2	735.8
Metals & Mins.	476.7	471.9	511.6
AUSTRIA			
Credit Aktien	70.80	71.23	55.99
BELGIUM			
Belgian SE	2,302.82	2,305.78	–
CANADA			
Toronto			
Metals & Minls	2,083.6	1,998.8	2,317.0
Composite	2,621.8	2,577.5	2,412.6
Montreal			
Portfolio	131.01	128.46	118.56
DENMARK			
Copenhagen SE	177.62	176.85	194.34
FRANCE			
CAC Gen	205.8	207.1	182.6
Ind. Tendance	111.8	112.4	86.45
WEST GERMANY			
FAZ-Aktien	419.59	420.22	351.36
Commerzbank	1,217.1	1,220.3	1,032.2
HONG KONG			
Hang Seng	1,300.97	1,310.47	1,170.35
ITALY			
Banca Comm.	n/a	276.10	221.87
NETHERLANDS			
ANP-CBS Gen	205.4	207.2	181.2
ANP-CBS Ind	164.6	165.2	132.9
NORWAY			
Oslo SE	314.82	315.22	254.73
SINGAPORE			
Straits Times	835.32	841.17	1,016.36
SOUTH AFRICA			
Golds	965.7	927.4	1,055.2
Industrials	862.5	858.2	1,070.2
SPAIN			
Madrid SE	closed	111.91	83.33
SWEDEN			
J&P	1,430.43	1,433.47	1,524.82
SWITZERLAND			
Swiss Bank Ind	430.9	430.4	367.4
WORLD	Mar 18	Prev	Year ago
Capital Int'l	196.0	195.4	187.3

GOLD (per ounce)

	Mar 19	Prev
London	$318.00	$298.75
Zürich	$318.50	$298.25
Paris (fixing)	$309.20	$292.77
Luxembourg	$302.75	$294.45
New York (Apr)	$326.80	$303.80

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Mar 19	U.S. DOLLAR Previous	STERLING Mar 19	STERLING Previous
$	–	–	1.1365	1.1085
DM	3.274	3.34	3.73	3.695
Yen	255.95	259.85	291.5	287.5
FFr	10.015	10.195	11.38	11.3275
SwFr	2.785	2.84	3.1575	3.145
Guilder	3.6975	3.7745	4.21	4.175
Lira	2,078.5	2,119.0	2,365.0	2,337.0
BFr	65.8	67.3	74.95	74.3
C$	1.377	1.382	1.55975	1.529

INTEREST RATES

	Mar 19	Prev
Euro-currencies (3-month offered rate)		
£	13⅜	13½
SwFr	5 15/16	5 15/16
DM	6⅜	6 5/16
FFr	11⅛	11 3/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	9⅝	9⅝
6-month U.S.$	10	10
U.S. Fed Funds	8⅝	8 9/16
U.S. 3-month CDs	8.95	8.95
U.S. 3-month T-bills	8.61	8.51

U.S. BONDS

Treasury	Mar 19* Price	Mar 19* Yield	Prev Price	Prev Yield
10 1987	98 17/32	10.85	98 17/32	10.85
11⅝ 1992	98 15/32	11.97	98 13/32	11.97
11¼ 1995	95 25/32	12.00	95 23/32	12.00
11¼ 2015	94 23/32	11.96	94¼	11.96
Corporate				
AT&T				
10⅜ June 1990	94⅞	11.80	94⅞	11.80
3⅜ July 1990	73⅞	10.55	73⅞	10.55
8¾ May 2000	74⅞	12.55	74⅞	12.55
Xerox				
10⅞ March 1993	91⅞	12.30	91⅞	12.30
Diamond Shamrock				
10⅞ May 1993	91⅜	12.40	91⅜	12.40
Federated Dept Stores				
10⅞ May 2013	84.803	12.60	84.803	12.60
Abbot Lab				
11.80 Feb 2013	93.465	12.65	93.465	12.65
Alcoa				
12½ Dec 2012	94.01	13.05	94.01	13.05

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
March	68-27	68-27	68-09	68-18
U.S. Treasury Bills (IMM) $1m points of 100%				
June	90.75	90.74	90.61	90.69
Certificates of Deposit (IMM) $1m points of 100%				
March	90.85	90.90	90.86	90.83
LONDON				
Three-month Eurodollar $1m points of 100%				
June	89.30	89.36	89.26	89.41
20-year Notional Gilt £50,000 32nds of 100%				
June	105-04	105-09	104-28	104-07

COMMODITIES

(London)	Mar 19	Prev
Silver (spot fixing)	530.25p	521.00p
Copper (cash)	£1,229.00	£1,238.00
Coffee (March)	£2,292.50	£2,351.00
Oil (spot Arabian light)	$27.75	$27.75

LONDON

Sterling try to outshine the budget

STERLING almost outshone the budget in London yesterday as the Chancellor of the Exchequer presented his proposals which were judged tight and perhaps favourable for the markets in the short-term.

The rise of the pound in New York after a spectacular performance against leading continental European currencies gave the cue to blue chips which staged a late rally. The FT Ordinary index reflected the improved tone and finished a net 2.1 higher at 997.5 after an early loss.

Life insurers soared in the absence of any tax changes on pension funds while the stores leaders maintained early buoyancy on the hopes of increased spending.

Laing Properties moved against the trend with a 10p rise to 310p, while Distillers crossed the 300p threshhold with a 7p gain to 305p.

Gilts responded in luke-warm fashion to sterling's burst of strength. Shorts saw occasional gains of over ¼ while longs were up to ½ higher in places.

Chief price changes, Page 34; Details, Page 35; Share information service, Pages 36–37

AUSTRALIA

THE REBOUND in the gold price injected a note of firmness in steady Sydney trading that took the All Ordinaries index up 3.4 to 793.6 and the All Resources index 4.8 higher to 506.1.

BHP added 4 cents to A$5.70 while CSR ended 2 cents stronger at A$2.70. Bell Resources lost buying support and shed 8 cents to A$6.42. Among metals and golds, Niugini Mining firmed 20 cents to A$9.20 while Central Norseman advanced 10 cents to A$5.80. Oil and gas shares were actively pursued with Santos 14 cents higher at A$5.68, Vamgas and Crusader 10 cents up to A$3.40 and A$2.45 respectively.

Media issues were largely unchanged with News Corporation pegged at A$14 and Herald and Weekly Times steady at A$3.95.

Fears of higher local interest rates provided a dampener on the industrial sector.

CANADA

A DYNAMIC upturn in gold shares fuelled a rally in Toronto which spread to most other sectors.

Lake Shore Mines jumped C$4⅝ to C$42⅞ while Campbell Red Lake continued to make progress with a further C$1¼ rise to C$27¼. Lac Minerals, actively traded on Monday, added C$1⅞ to C$29¼ and Dome Mines rallied C$⅞ to C$11⅞.

Abitibi-Price extended the gains of the previous session after its three-for-one stock split and dividend increase. It traded C$⅜ higher to C$53¼. Torstar moved C$½ ahead to C$20 on results.

Industrials in Montreal displayed a note of strength while utilities and banks eased.

SOUTH AFRICA

THE TEMPORARY surcharge on gold and diamond mining contained in Monday's budget failed to hit Johannesburg shares yesterday.

Gains of R2 each were recorded by Free State Geduld at R46 and Buffels at R74 while Driefontein picked up 75 cents to R49.75. Among other miners, Rustenburg Platinum edged ahead 15 cents to R15.50 and diamond group De Beers settled 5 cents higher at R9.

EUROPE

Dollar drift dampens sentiment

A WEAKER dollar kept foreign interest away from most European bourses yesterday and stocks were left mixed to lower as a result.

In **Frankfurt**, where the Commerzbank index drifted 3.2 lower to 1,217.1 from Monday's record, selected blue chips remained in demand. Although a softer U.S. currency may eventually take the edge off export-oriented shares, most motor stocks scored strong gains.

BMW put on DM 10.50 to DM 395, Daimler-Benz was DM 6 ahead at DM 697 and VW posted a DM 5.90 gain at DM 204.50. However, Porsche continued lower for the fourth straight session to DM 1,320, down DM 13.

Profit-taking at Siemens caused it to fall back DM 6 to DM 552, while in other electricals, AEG ended unchanged at DM 111.50 and Brown Boveri was DM 3.40 up at DM 217.50.

Linde put on DM 1 to DM 418 after increasing its 1984 dividend.

Bond prices closed between 25 basis points and one full point higher, encouraged by the lower dollar. Trading was lively and had to be extended. The Bundesbank increased its sale of paper to DM 171.3m from DM 70.3m the previous session.

End-of-month accounts in **Paris** dampened sentiment although trading was active.

Galeries Lafayette suffered one of the sharpest falls with a FFr 17 drop to FFr 344 and Carrefour was FFr 42 off at FFr 1,926. Avions Dassault lost a hefty FFr 44 to FFr 1,151, while Thomson-CSF, one of the few gainers, was FFr 5 ahead at FFr 502.

Amsterdam international stocks in particular were depressed, mainly as a result of the lower dollar. Investors taking profits from a previously strong market also contributed to the easier session.

Royal Dutch slipped Fl 3.70 to Fl 198.50, Unilever Fl 4 to Fl 346 and KLM Fl 1.10 to Fl 60.30.

Elsewhere, Heineken inched 20 cents ahead to Fl 158.70 and Boskalis put on 5 cents to Fl 16.90. Banks also suffered with ABN Fl 2.50 lower at Fl 397 and NMB 10 cents off at Fl 173.

Westland-Utrecht Hypotheekbank, one of the largest mortgage banks in the Netherlands, slipped 60 cents to Fl 103.60 amid reports of earnings back in the black for 1984.

Buying interest in bonds was sparked by the softer dollar and prices continued higher. Activity was largely confined to domestic investors with foreign buyers still absent.

Good corporate results underpinned **Zurich**, although an easier overnight Wall Street kept investors cautious. Most prices closed steady.

Banks, mostly ignored on Monday, edged higher with UBS and Crédit Suisse gaining SwFr 35 each to SwFr 3,675 and SwFr 2,435 respectively.

Leading industrials eased with Nestlé off SwFr 50 at SwFr 6,520 and Ciba-Geigy SwFr 50 lower at SWFr 3,000.

Brussels ended mixed, unaffected by the debate in Parliament over the deployment of U.S. cruise missiles. If Parliament voted against the coalition's decision to deploy, the Government could fall.

Insurer Royal Belge suffered heavily, dropping BFr 300 to BFr 11,100. Among industrials, Petrofina shed BFr 80 to BFr 6,940 as earnings for 1985-86 continue to look bleak.

Société Générale de Belgique, the financial holding group, put on BFr 20 to BFr 2,060 and steelmaker Cockerill Sambre was BFr 2 ahead at BFr 281.

Profit-taking took **Milan** lower, and Fiat shed gains made in the previous two sessions to finish down L80 at L2,920.

Olivetti lost L29 to L6,820 and Montedison was L53 off at L1,432, while insurer Generali was L275 ahead at L40,380.

In a mostly lower **Oslo**, Norsk Hydro put on NKr 1 to NKr 106 amid reports of a second oil find off northern Norway.

Stockholm ended mixed to easier. Electrolux, the most active, ended SKr 2 higher at SKr 324. **Madrid** was closed for St Joseph's Day.

TOKYO

Sanctuary of sidelines sought

A DETERIORATING market climate drove investors to the sidelines and share prices down in Tokyo yesterday for the first time in four trading days, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow average lost 28.65 to 12,477.99, but the Tokyo Stock Exchange Index, which topped 1,000 for the first time the previous day, added 2.91 to 1,003.01. Volume totalled 322m shares, compared with Monday's 290m. Falls outnumbered rises by 413 to 332, with 180 issues unchanged.

Investors, concerned about high price levels, feel that if the shares reach a new high, official action to cool the overheated market could be taken.

The dollar's plunge and escalation of the Iran-Iraq war dampened investor enthusiasm. Another discouraging factor was that the margin-buying balance on the Tokyo, Osaka and Nagoya stock exchanges increased Y1.8bn to yet another high of Y3,041.6bn last week.

Kobe Steel topped the most active list with 11.2m shares and advanced Y4 to Y157. Sumitomo Metal Mining, the second most active stock with 9.5m shares traded, gained Y30 to Y1,800.

Speculative funds poured into financial issues, notably brokerage houses and non-life insurances. Yasuda Fire and Marine, which posted a sizeable gain and topped the active list the previous day, fell Y13 to Y500 under profit-taking pressure, although the issue was the third busiest with 9.5m shares.

Tokio Marine and Fire, the fifth most active stock with 7.5m shares changing hands, rose Y4 to Y901.

Nomura Securities, also actively traded, closed unchanged at Y1,270. Yamaichi Securities, jumped Y31 to Y816, Nikko Securities gained Y25 to Y810 and Daiwa Securities rose Y44 to Y915.

The Long-Term Credit Bank of Japan soared Y690 to Y8,950 and Ashikaga Bank Y190 to Y5,000. Other long-term credit and regional banks fared well, but their trading volumes were smaller than those of non-life insurances and securities firms.

Buying interest in biotechnology-related stocks dispersed further, with Mochida Pharmaceutical suffering a daily allowable loss of Y500 to Y8,410. Yamanouchi shed Y120 to Y3,970.

Bond prices eased slightly in slow trading. The yield on the benchmark 7.3 per cent government bonds, due in December 1993, rose to 6.840 per cent from Monday's 6.825 per cent.

HONG KONG

THE DOWNWARD trend continued in Hong Kong, although the decline, as measured by the Hang Seng index, was not as sharp as Monday's setback. The index retreated a further 9.5 points to 1,300.97 on the lowest turnover level in six weeks.

The sale of the Sun Hung Kai Bank, rumoured for days but confirmed after the close, failed to have an effect on prices although it was interpreted by some analysts as a positive foreign capital injection into the colony. The bank, was last traded on Monday at HK$1.88.

Elsewhere in the banking sector, Hang Seng rose 75 cents to HK$46 and Hongkong Bank eased 5 cents to HK$8.15.

Among other leading issues, Jardine Matheson slipped 5 cents to HK$8.40, Swire Pacific dropped 20 cents to HK$20.30 and Hutchison Whampoa lost 10 cents to H$18.70.

SINGAPORE

AN INDECISIVE mood dominated a listless Singapore as the Straits Times industrial index added 3.86 to 835.32 with rises and falls almost evenly matched in slightly higher turnover.

More favourable trading results failed to engender much fervour as Genting dropped 10 cents to S$5.65 despite its 14.6 per cent rise in 1984 earnings.

Singapore Press fell 5 cents to S$6.25, while Cycle and Carriage surged 18 cents to S$3.80 on renewed suggestions of a link with MUL. Gains of 10 cents each were recorded by Fraser and Neaver at S$5.40 and Sime Darby at S$2.05.

Among the most actively traded issues, leader Supreme Corp dropped 1 cent to S$1.79

Hotels, properties and commodities, where traded, were also mixed.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
29½	16⅛	AAR	.48	2.5	15	269	19⅝	19	19⅝	
22	9⅜	AGS			11	57	14⅝	14¼	14⅝	+⅜
19⅛	11	AMCA				1	11⅛	11⅛	11⅛	+⅛
17⅞	13¼	AMF	.50	2.9	38	260	17	16⅝	17	+⅛
43¼	24¼	AMR			9	4068	40⅜	38⅝	40⅛	+1⅝
20⅜	18⅝	AMR pf2.18		11.		1515	20⅛	20	20	−¼
14¼	6½	APL			3	93	9⅝	9⅛	9⅝	+½
67¼	44⅜	ASA	2	3.6		2890	55⅝	52½	55	+3⅞
27	18	AVX	.32	1.8	11	824	18½	17⅞	18	+⅝
50⅛	36¾	AbtLab	1.40	2.7	15	3805	u51½	49¾	51¼	+1½
25⅞	16½	AccoWds	.44	1.9	18	83	23¼	23⅛	23¼	+⅛
22½	12½	AcmeC	.40	2.7		96	15	14¼	14⅝	−⅞
17⅜	15	AdaEx	2.11e	13.		125	16¾	16¼	16⅝	+⅛
20	11⅞	AdmMl	.32	1.9	7	9	17⅛	16⅞	17⅛	+⅛
19½	8⅝	AdvSys	.8lt	7.6	17	112	10⅞	10½	10⅝	−⅛
41⅛	25⅛	AMD			14	3577	33⅝	31½	33⅝	+2⅛
12¾	6⅞	Advest	.12	1.2		245	10⅛	9¾	10⅛	+¼
14⅝	8¾	Aerflex			12	77	12⅝	12⅜	12⅜	−¼
42⅝	27¼	AetnLf	2.64	6.6	38	2321	40	39¾	40	
58¾	52⅜	AetL pf5.83e		11.		223	55⅛	54½	54½	−⅛
32⅛	15¾	Ahmns	1.20	4.1	17	3061	29¼	27¾	29¼	+⅞
4½	2⅝	Aileen			21	71	2¾	2⅝	2¾	
51	38⅝	AirPrd	1.20	2.4	11	238	49¼	48⅞	49¼	+½
24⅜	13	AirbFrt	.60	2.8	11	301	21¼	20½	21⅛	+⅛

Continued on Page 33

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 34

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 32

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
61	45¾	Wrigly	1.60a	3.0	11	103	59¼	58½	59¼	+¾
6⅝	3⅛	Wurltr				36	4	3¾	3⅞	
18	10¾	WyleLb	.32	2.5	10	248	12⅞	12¾	12⅞	+⅛
23⅝	16¾	Wynns	.60	2.7	8	98	22¼	22	22	−⅛
		X Y Z								
46¼	33¼	Xerox	3	6.9	17	3537	43¾	42⅛	43¾	+1¼
51⅜	45¼	Xerox	pf5.45	11.		490	49⅝	49¼	49¼	−⅜
30	24	ZaleCp	1.32	4.7	9	168	28⅛	27¾	28	+⅛
24⅞	13⅜	Zapata	.84	6.0	16	165	14¼	14	14	−⅛
58	30	Zayre	.40b	.7	14	328	56½	55½	56	+½
31¼	18⅛	ZenithE			7	1416	21⅜	20½	21⅜	+⅞
21⅞	14⅜	Zero	s		19	22	20	20	20	
31⅜	21⅛	Zurnin	1.32	4.8	10	216	27¾	27¼	27½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Mar. 19	Price Schs	+ or —
Creditanstalt	240	
Goesse	425	—15
Interunfall	470	+2
Laenderbank	240	
Perlmooser	393	+3
Steyr-Daimler	165	—4
Veitscher Mag	385	

BELGIUM/LUXEMBOURG

March 19	Price Frs.	+ or —
B.B.L.	1,890	—10
Banq. Int. A. Lux	6,200	
Bekaert B	5,920	+20
Ciment CBR	2,600	—90
Cockeril	281	+2
Delhaize	7,850	—50
EBES	3,025	+5
Electrobel	8,570	—30
Fabrique Nat	2,125	—25
GB Inno BM	3,355	+30
GBL (Brux)	2,085	—5
Gevaert	4,230	
Hoboken	5,830	+10
Intercom	2,265	+10
Kredietbank	8,650	+50
Pan Hldgs.	11,400	
Petrofina	6,940	—80
Royale Belge	11,100	—300
Soc. Gen. Banq	3,400	
Soc. Gen. Belge	2,060	+20
Sofina	7,670	—80
Solvay	4,400	+60
Stanwick Intl	1,620	+20
Tractionel	4,200	—65
UCB	6,400	+30
Wagon Lits	2,710	+10

DENMARK

Mar. 19	Price Knr %	+ or —
Andelsbanken	294	—1
Baltic Skand	630	+5
CopHandelsbank	279	+5
D. Sukkerfab	645	+5
Danske Bank	285	
De Danske Luft	1,245	
East Asiatic	161	—1
Forenede Brygg.	860	
Forenede Damp.	102	—1
GNT Hldg	425	+6
I.S.S.B.	396	+2
Jyske Band	660	
Novo Ind	1,585	+40
Privatbanken	234	
Provinsbanken	309	+1
Smidth (F)	225	
Sophus Berend	1,005	+10
Superfos	479	—2

FRANCE

March 19	Price Frs.	+ or —
Emprunt 4½% 1973	1660	+15
Emprunt 7% 1973	7,660	
Accor	278	—6
Air Liquid	614	—5
BIC	545	—5
Bongrain	1,850	+15
Bouygues	611	—8
BSN Gervais	2,398	—4
CIT-Alcatel	1,240	—6
Carrefour	1,926	—42
Club Mediter'n	1,200	—11
Cie Bancaire	582	—17
Cofimeg	274	+1
Damart	2,192	+32
Darty	1,225	
Dumex S.A.	689	—1
Eaux (Cie Gen)	585	+7
Elf-Aquitane	236.2	—0.8
Essilor	3,048	—7
Gen. Occidentale	731	—7
Imetal	96.7	+2.6
Lafarge Coppee	425.1	—8.3
L'Oreal	2,330	—19
Legrand	2,155	—25
Maisons Phenix	228.9	—0.1
Matra S.A.	1,633	—12
Michelin B	914	—10
Midi (Cie)	2,215	—6
Moet-Hennessy	1,955	—10
Moulinex	107	—1.5
Nord Est	79.55	—0.55
Penod Ricard	697	—4
Perrier	520	—10
Petroles Fra	264.9	—3.1
Peugeot S.A.	290.1	—2.4
Printempt.Aus	220	—6.5
Radiotech	268	—1.9
Redote	1,275	—10
Rousul-Uclaf	1,700	—10
Sefimeg	322.1	—2.4
SkisRossegnol	1,950	—20
Telemech Elect	2,456	
Thomson CSF	502	+5
Valeo	227	+0.5

GERMANY

Mar. 19	Price Dm.	+ or —
AEG Telef	111.5	
Allianz Vers	1027xr	—4
BASF	211.5	+0.2
Bayer	224	+0.7
Bayer Hypo	330	—2.8
Bayer Verein	320	—6
BHF Bank	264.5	+3.4
BMW	395	+10.5
Brown Boveri	217.5	+3.4
Commerzbank	168.8	+1.3
Cont'l. Gummi	141.8	—0.2
Daimler-Benz	697	+6
Degussa	356.9	+3.9
D'sche Babcock	165	—2.5
Deutsche Bank	431	+4
Dresdner Bank	186.5xr	+1.5
GHH	157.5	—1
Hochtief	475	+4
Hoechst	216.8	+0.8
Hoesch Werke	113.5	—1.9
Holzmann (P)	395	—4
Horten	178	+2
Hussel	290	+1.5
Karstadt	212.5	+2.5
Kaufhof	220.5	+0.3
KHD	264xr	—2.5
Kloeckner	77.6	—2.1
Linde	418	+1
Lufthansa	200.5	+1
MAN	156.5	+1.6
Mannesmann	163	+2.5
Mercedes Hld	506	+3
Metallgesel	262	—8
Munech Rueck	1160	+40
Nixdorf	554	—3.5
Porsche	1320	—13
Preussag	283	—1.8
Rhein West Elect	150.7	+0.7
Rosenthal	248	
Schering	456.5	+2.5
Siemens	552	—5
Thyssen	104.5	—1.3
Varta	185	
Veba	184.8	—0.7
V.E.W.	121.6	
Verein-West	315	+2
Volkswagen	204.5	+5.9

ITALY

Mar. 19	Price Lira	+ or —
Banco Com'le	17,610	—140
Bastogi-IRBS	226	
B.I-Invest	3,470	
Centrale	3,471	—24
Credito Varesino	4,200	+15
Fiat	2,920	—80
Finsider	65	
Generali Assicur.	40,380	+275
Italcementi	83,900	—900
La Rinascenti	665.2	+14.2
Montedison	1,432	—53
Olivetti	6,820	—29
Pirelli Co	4,345	—15
Perelli Spa	2,177	—51
Snia BPD	2,880	
Toro Assic	14,310	+300
do Pref	10,630	—160

NETHERLANDS

Mar. 19	Price Fls	+ or —
ACF Holding	198.5	—1.5
AEGON	182.5	—3.5
Ahold	225	—1.5
AKZO	111.2	—2.1
ABN	397	—2.5
AMEV	218.3	—0.2
AMRO	74.6	—0.3
Bredero Cert	151	+0.1
Bos Kalis Westm.	16.9	+0.5
Buehrmonn-Tet.	88.2	—0.6
Calland Hldgs.	36	—1
Dordtsche Pet'm	177.3	—2.2
Elsevier NDU	114	—1.5
Fokker	103.8	+1.8
Gist Broades	183	—1.5
Heineken	158.7	+0.2
Hoogovens	61.7	—0.5
Int Mueller	52.5	—1
KLM	60.3	—1.1
Naarden	48.5	—0.1
Nat Ned Celt	269.4	—0.5
Ned M'd Bank	173	—0.1
Nedlloyd	173.5	—2.5
Oce Grinten	309	—2.5
Ommeren (Van)	29.9	—0.4
Pakhoed	68.3	+0.1
Philips	60.9	—1.1
Robeco	75.6	—0.7
Rodamco	139.2	—1
Rolinco	68.4	—0.7
Rorento	44	—0.3
Royal Dutch	198.5	—3.7
Unilever	346	—4
VMF Stork	148.7	+0.7
VNU	213	
West Utr Bank	103.6	—0.6

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NORWAY

Mar. 19	Price Kroner	+ or —
Bergens Bank	144.5	—0.5
Borregaard	367.5	—1.5
Christiania Bank	143.5	—1.5
DenNorske Cred	159.5	—1.5
Elkem	145	+1.5
Kvaerner	177.5	—2.5
Norsk Data	404	+1.5
Norsk Hydro	105	+1
Storebrand	245	—1

SPAIN

Mar. 18	Price Pta %	+ or —
Bco Bilbao	340	
Bco Central	313	
Bco Exterior	205	+8
Bco Hispano	158	
Bco Popular	330	—8
Bco Santander	350	
Dragados	176	+1.5
Hidrola	65	+2.5
Iberduero	66.2	+0.7
Petroleos	148	+3
Telefonica	125.5	

SWEDEN

Mar. 19	Price Kronor	+ or —
AGA	385	
Alfa-Laval	191	+1
ASEA (Free)	361	—2
Astra (Free)	370	—20
Atlas Copco	107	+1
Cardo (Free)	325	
Cellulosa	182	
Electrolux B	224	+8
Ericsson	279	—6
Esselte	365	—5
Mo och Domsjo	258	
Pharmacia	212	—5
Saab Scania Free	430	—5
Sandvik	410	
Skandia	307	
Skan Enskilda	51.5	—0.5
SKF	214	
St Kopparbergs	140	+2
Sven Handlesbn.	168	+1
Swelvosh Match	230	+3
Volvo B (Free)	291	—6

SWITZERLAND

Mar. 19	Price Frs.	+ or —
Alusuisse	885	—16
Bank Leu	3,575	+50
Brown Boveri	1,680	—15
Ciba Geigy	3,000	—50
do. (Part Certs)	2,470	—30
Credit Suisse	2,435	+35
Elektrowatt	2,810	+20
Fisher(Geo.)	770	+5
Hoff-Roche PtCts	89,875	—125
Hoff-Roche 1/10	9,000	+25
Jacobs Suchard	6,475	
Jelmoli	1,980	+15
Landis & Gyr	1,720	+20
Nestle	6,520	—50
Oer-Buehrle	1,505	+10
Pirelli	303	—1
Sandoz (Br)	8,050	+100
Sandoz (PtCts)	1,370	—45
Schindler (Pt Cts)	810	
Sika	1,120	
Surveillance	4,300	
Swissair	1,137	+7
Swiss Bank	369	+5
Swiss Reinsce	9,675	+25
Swiss Volksbk	1,480	+10
Union Bank	3,675	+35
Winterthur	3,750	—5
Zurich Ins	20,750	+150

AUSTRALIA

Mar. 19	Price Aust $	+ or —
ANZ Group	4.33	
Alliance Oil Dev.	1.10	+0.04
Ampol Pet	1.83	
Ashton	0.89	—0.05
Aust. Cons. Ind	1.87	—0.01
Aust. Guarantee	2.35	
Aust. Nat. Inds	2.63	—0.01
Aust. Paper	2.48	
Bell Group	6.7	
Bell Res	6.42	—0.08
Bond Corp Hldgs	1.8	
Boral	3.28	+0.02
Bougainville	1.85	+0.05
Brambles Inds	3.7	
Bridge Oil	2.18	+0.07
B.H. Prop	6.70	+0.04
CRA	5.74	+0.04
CSR	2.70	+0.02
CastlemaineTys.	4.75	+0.05
Coles (G.J.)	3.7	
Comalco "A"	2.55	
Consolidated Pet	0.43	
Costain Aust.	1.6	
Dunlop Aust.	2.1	
Elders IXL	3.09	—0.05
Energ Res	1.45	

AUSTRALIA (continued)

Mar. 19	Price Aust. $	+ or —
Gen. Prop. Trust	2.14	+0.01
Hardie (James)	3	
Hartogen Energy	2.83	+0.05
Herald W'y Times	3.2	
ICI Aust	1.89	+0.01
Jimberlana F.P.	0.34	
Kia Ora Gold	0.18	
Lend Lease	5.9	
MIM	3.62	+0.05
Mayne Nickless	3.82	+0.02
Myer Emporium	1.9	+0.01
Nat. Aust. Bank	3.45	+0.05
News	13.9	
Nicholas Kiwi	3.0	
North Bkn Hill	2.26	+0.01
Oakbridge	0.78	
Pancont'l	1.40	
Poineer Conc	1.6	—0.01
Poseidon	10.0	+0.1
Queensland Coal	1.41	
Reckitt & Coln	3.4	
Repco	1.19	
Santos	5.68	+0.14
Smith (Howard)	3.90	+0.03
Thos. Natwide	1.86	+0.01
Tooth	5.6	
Vamgas	2.40	+0.19
Western Mining	3.58	+0.08
Westpac Bank	3.34	+0.01
Woodside Petrol	0.87	+0.02
Woolworths	2.50	—0.02
Wormald Intl	3.70	+0.05

HONG KONG

Mar. 19	Price H.K.$	+ or —
Bank East Asia	21.4	
Cheung Kong	12.8	—0.1
China Light	13	
Hang Seng Bank	46	
HK Electric	7.05	—0.05
HK Kowloon Wh	5.05	—0.05
HK Land	4.57	—0.08
HK Shanghai Bk	8.15	—0.05
HK Telephone	66	—1
Hutchinson Wpa	16.7	—0.1
Jardine Math	8.4	—0.1
New World Dev	5.75	+0.05
Orient O'seas	2.32	
Oseas Trust Bk	2.52	—0.08
SHK Props	8.5	—0.05
Shell Elect	1.62	—0.05
Swire Pac A	20.3	—0.2
TV—B	5.8	
Wheel'k Mard A	7.15	
Wheel'k M'time	1.10	
World Int. Hldns	1.65	—0.1

JAPAN

Mar. 19	Price Yen	+ or —
Ajinomoto	1,100	
Alps Electric	2,190	—30
Amada	1,250	—30
Asahi Chem	829	—1
Asahi Glass	895	+4
Bridgestone	511	+1
Canon	1,460	
Casio Comp	1,790	—30
Chugai Pharm	1,050	+20
Citizen	552	
Daiei	619	—1
Dai Nippon Ptg	1,040	
Daiwa House	560	+2
Ebara	415	—6
Eisai	1,890	—10
Fanuc	13,400	+100
Fuji Bank	1,630	
Fuji Film	1,830	
Fujisawa	1,100	—10
Fujitsu	1,330	+10
Green Cross	2,900	
Hasegawa	367	—3
Heiwa Real Est	630	+10
Hitachi	858	—2
Hitachi Credit	1,100	
Honda	1,460	—10
House Food	688	+6
Hoya	2,270	—10
Itoh (C)	334	—2
Ito. Yokado	2,440	+10
Iwatsu	1,060	
JACCS	330	+5
JAL	5,900	—100
Jusco	680	—5
Kajima	275	—1
Kao Soap	855	+13
Kashiyama	598	+2
Kirin	565	+2
Kokuyo	885	
Komatsu	448	—1
Konishiroku	666	—9
Kubota	324	
Kumagai	580	—1
Kyoto Ceramic	6,150	+50
Maeda Const	485	
Makino Milling	1,350	
Myakita	1,110	—10
Marubeni	302	
Marudai	552	—2
Marui	965	—15
MEI	1,600	—20
M'ta Elec Works	800	—6
M'bishi Bank	1,570	—10
M'bishi	517	—8
M'bishi Elect	396	
M'b shi Estate	588	+1

JAPAN (continued)

Mar. 19	Price Yen	+ or —
MHI	270	+1
Mitsui	337	—1
Mitsui Estate	659	—5
Mitsukoshi	419	—6
NGK Insulators	1,020	
Nikon	829	+8
Nippon Denso	1,450	—10
Nippon Elect	1,450	
Nippon Express	356	—1
Nippon Gakki	8,150	—40
Nippon Kokan	156	—3
Nippon Oil	920	—1
Nippon Seiko	657	—5
Nippon Shimpan	875	+24
Nippon Steel	158	+1
Nippon Suisan	350	—2
NTV	11,500	+300
Nippon Yusen	291	—1
Nissan Motor	640	—1
Nisshin Flour	405	—1
Nisshin Steel	171	
Nomura	1,270	
Olympus	1,070	
Orient Leasing	3,050	—40
Pioneer	3,050	—50
Renown	644	+5
Ricoh	960	+11
Sankyo	1,200	—20
Sanyo Elect	490	—5
Sapporo	411	+1
Sekisui Prefab	760	+9
Seven-Eleven	8,800	—50
Sharp	1,060	
Shimadzu	811	—1
Shionogi	709	+10
Shiseido	1,070	—10
Sony	4,450	—120
Stanley	1,040	
S'tomo Bank	1,800	
S'tomo Elect	811	—3
S'tomo Marine	664	+14
S'tomo Metal	153	
Taisei Dengyo	499	+25
Taisei Corp	306	+10
Taisho Pharm	1,070	—10
Takeda	881	
TDK	6,130	—70
Teijin	465	+1
Tokyo Marine	901	+4
TBS	780	—5
Tokyo Elect Pwr	1,070	+30
Tokyo Gas	161	—1
Tokyo Sanyo	735	—5
Tokyo Style	733	—5
Tokyu Corp	575	—2
Toppan Print	856	+1
Toray	440	—2
Toshiba Elect	410	
TOTO	1,017	
Toyo Seikan	987	+1
Toyota Motor	1,280	+20
Victor	2,230	—10
Wacoal	721	
Yamaha	905	—8
Yamanouchi	3,270	
Yamazaki	665	—5
Yasuda Fire	425	—5
Yokogawa Bdge	415	

SINGAPORE

Mar. 19	Price $	+ or —
Boustead Hldgs	1.73	
Cold Storage	2.65	
DBS	8.3	
Genting	5.65	—0.1
Haw Par	1.41	
Hong Leong Fin	2.73	
Inchcape Bhd	2.03	
Keppel Shipyard	1.75	+0.02
Malay Banking	6.15	
Malay Utd Ind	0.97	
Multi Purpose	0.97	
OCBC	9.8	
OUB	3.50	
Public Bank	1.63	
Sime Darby	2.05	
Singapore Press	5.15	
Straits Trdg	4.46	+0.02
Tat Lee Bk	2.3	
UOB	5.54	—0.06

SOUTH AFRICA

Mar. 19	Price Rand	+ or —
Aberoom	1.25	—0.02
AE & CI	6.75	
Anglo Am Coal	42.25	+0.25
Anglo Am Corp	20.75	+0.4
Anglo Am Gold	141	+2
Barclays Bank	14.75	
Barlow Rand	8.5	
Buffels	85	+6
CNA Gallo	3.45	
Currie Finance	9.0	
De Beers	19.6	
Driefontein	51	
FS Geduld	56	
Gold Fields SA	94	
Highveld Steel	5.8	
Hulett	9.75	
Nedbank	24.8	
OK Bazaars	26.75	
Protea Hldgs	2.82	
Rembrandt	21.75	
Rust Plat	20.5	
Safren	5.6	
Sage Hldgs	6.8	
SA Brews	8.1	
Smith (CG)	16.5	
Tongaat Hulet	6.95	—0.05
Unisec	4.7	

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
Flow Sy		175	20¼	19½	20¼	+½
Fluroch	.24	19	11¾	11⅝	11⅝	+⅛
Fonar		364	4	3¾	3¾	—¼
F Lion B	.07	493	16¾	16½	16¾	
F Lion A	.09	95	15	14¾	15	+¼
ForAm	.95	20	29¼	29¼	29¼	—¼
ForestO	1	49	20	19⅞	20	
FortnF		354	18¼	17½	17⅝	—⅛
FortnS		5389	2⅝	2	2⅛	—⅜
Forum	.06	1606	10¼	9¾	10⅛	+⅜
Foster	.10	7	6⅛	6	6	
Foxmyr		192	28	27½	28	—¼

Continued on Page 42

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Tr 13% 1990	£105¾	+5/16
Conv. 10% 2002	£93¾	+½
Barratt	78	+12
Britoil	220	+10
Croda Intl.	143	+ 8
Distillers	305	+ 7
Doornfontein	£13¾	+1¼
Equity & Law	260	+20
Garnar Booth	204	+ 9
GUS A	783	+30
Hawker Sidd	428	+17
I C Gas	358	+16
Laing Prop	310	+10
Legal & Gen	668	+38
Metal Box	435	+13
Paterson Zoch	150	+15
Poseidon	198	+10
Royal Bk. of Scot.	284	+12
Rush & Tompk	234	+10
Systems Design	580	+30
Vaal Reefs	£85½	+ 3

FALLS

Autom Prods.	56	— 6
Barker & Dobson	6½	— 2
Berisford (S&W)	164	— 7
Bestobell	237	—16
ICI	777	—23
Jaguar	342	—15
Shell Trans	740	—23
[illegible]therm	73	—17
[illegible]noughs	280	—15

CANADA

TORONTO

Closing prices March 19

Sales	Stock	High	Low	Close	Chng
783	Abti Prce	$54	52½	54	+1½
3400	Cosseka R	279	276	279	+3
400	Conron A	$10⅞	10⅞	10⅞	
7306	Crownx	$18	18	18	
11400	Czar Res	160	152	155	—1
56261	Daon Dev	420	405	420	+10
600	Daon A	420	420	420	
93209	Lac Mnrls	$30⅞	28½	30	+2⅝
4525	LOnt Cem	$11½	11	11	—⅜
18100	Lacana	$12⅜	11⅝	12⅜	+1
1971	LL Lac	$33	32	32½	+2
4150	Loblaw Co	$18¼	18⅛	18¼	+⅛
1000	MDS H A	$18½	18½	18½	—½
66880	Mclan H X	$25½	24¾	24¾	

MONTREAL

Closing prices March 19

Total sales 3,163,229 shares

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 33

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LONDON STOCK EXCHANGE

MARKET REPORT

Favourable assessment of Budget proposals stirs markets in late trade

Account Dealing Dates

Option *First Dealings	Declara-tions	Last Dealings	Account Day
Mar 11	Mar 21	Mar 22	Apr 1
Mar 25	Apr 11	Apr 12	Apr 22
Apr 15	Apr 25	Apr 26	May 7

* "New-time" dealings may take place from 9.30 am two business days earlier.

"Sterling may decide the market trend" commented a leading dealer after the Chancellor had delivered his speech yesterday. Others described the Budget as tight and giving precious little away which could be favourable for London stock markets in the short-term, but the final verdict on the proposed measures seemed set to come from overseas.

Sterling moved above $1.15 in New York yesterday after earlier performing spectacularly against all leading currencies ahead of the Chancellor's statement; the rate jumped 3½ cents at one stage before easing to close in London at $1.1365.

Leading shares took their cue from sterling and began edging higher late in the session. Investment inquiries started to increase, despite the late hour, and the FT Ordinary share index reflected the improving tone by regaining an earlier loss to close a net 2.1 up at 997.5.

Of the sectors, Life Insurances soared in the absence of any tax changes on Pension Funds, while the Store leaders maintained earlier buoyancy on hopes of increased spending. Breweries and Distilling shares expressed relief over only marginal increases in excise duty, but Properties turned sour following consideration of tax proposals which fell short of expectations.

Government securities responded in luke-warm fashion to sterling's burst of strength. Most investors seemed content to await a more detailed appraisal of the measures advocated by the Chancellor, so there was little "after-hours" reaction. Quotations earlier had nudged forward in extremely thin trading and selected longer-dated stocks were occasionally ⅛ higher at around the 3.30 pm close. The gains in the shorts rarely exceeded ⅛.

Life Insurances jump

The Chancellor's decision not to impose a tax on pension funds prompted a late upsurge in Life Insurances. London and Manchester jumped 36 to 703p, Legal and General 30 to 680p and Sun Life 28 to 785p. Prudential, with annual figures scheduled for next Wednesday, closed 34 better at 580p, while Equity and Law put on 20 at 280p. Britannic ended 27 higher at 680p. Elsewhere, Composites passed a quietly firm session with Royals notable for an improvement of 11 to 608p. General Accident put on 5 to 588p and Sun Alliance gained 4 to 452p. The dollar's weakness affected Lloyds Brokers which drifted lower on profit-taking. Willis Faber receded 10 to 688p and Stewart Wrightson relinquished 5 at 845p.

A few pence easier at the "house" close, major clearing banks rallied after-hours on the absence of the widely rumoured VAT-type tax on financial services. NatWest recovered from 609p to close 10 up on balance at 620p, while Barclays ended a couple of pence dearer at 575p, after 568p. Elsewhere, Royal Bank of Scotland, a rising market of late on rumours of a stake build-up and revived speculation concerning Lloyds' substantial stake in the company, attracted renewed support and finished 12 up at 284p.

The gentle treatment afforded spirits—most estimates pointed towards an increase of around 25p per bottle—gave a fillip to Distilleries. Arthur Bell, due to reveal interim figures next Tuesday, advanced 6 to 166p, while Highland rose 4 to 80p. Distillers closed 7 up at 305p. Leading Breweries showed few changes of consequence, although among regionals, a lively two-way business developed in Matthew Brown, up 4 dearer at 411p, after 417p, on reflection of the rejection of the share-exchange bid from Scottish and Newcastle; the latter eased 1½ more to 135½p.

Buyers reappeared for selected leading Building issues. Blue Circle firmed 5 to 515p and BPB rose a like amount to 255p. Redland gained 6 to 296p in a market none-too-well supplied with stock, while Tarmac hardened 4 to 394p. Housebuilders Barratt Developments touched 82p prior to closing a net 12 up at 78p, the interim profits slump being outweighed by the maintained dividend and recovery prospects. Among Timbers, Meyer International firmed 4 to 116p on suggestions that a stake was being built up, while Magnet and Southerns rose 10 to 130p helped by rumours of a broker's circular. Elsewhere, USM-quoted Dunton added a penny to 22p following good half-year figures, but McLaughlin and Harvey shed 5 to 95p on disappointment with the interim profits.

Currency influences had a major bearing on trading in ICI which fell away to close 23 down at the day's lowest of 777p. Among other Chemicals, buying ahead of next Tuesday's annual results lifted Croda International 8 to 148p and the Deferred 9 to 108p.

Stores below best

Some sizeable gains were recorded among leading Stores although early enthusiasm subsided after-hours and left most below best levels. GUS "A" featured with a leap of 30 to 783p, after 787p, while reports of the success of its credit card scheme lifted Marks and Spencer 5 to 148p, after 150p. W. H. Smith "A" hardened a few pence to 216p, as did MFI at 238p, but fading bid hopes clipped 10 from Waring and Gillow at 138p.

Leather issues highlighted Garnar Booth which rose 9 to 204p as brokers de Zoete and Bevan raised its profits forecast to £4.6m.

Muirhead rose 4 more for a two-day gain of 14 to 160p on talk of a 220p per share bid from RHP. Elsewhere in Electricals, Security Centres continued to recover, closing 15 higher at 155p, while Goring Kerr reflected revived speculative support with a rise of 25 to 570p. Systems Designers advanced 30 to 580p on further consideration of the results and proposed 400 per cent scrip-issue, but Dewhurst and Partner "A" came on offer at 22p, down 4½.

Among the Engineering leaders, Hawker came to life with a flourish and closed 17 to the good at 428p. A relatively brisk early trade also developed in GKN, which hardened 3 further to 243p, and in Vickers, a penny firmer at 263p. Secondary issues, in contrast, passed a quiet trading session. Braham Millar, reflecting the proposed acquisition of Goodwin Barsby, gained 9 to 77p. Carlco rose 6 to 238p.

S. and W. Berisford took a distinct turn for the worse in Foods, falling 7 to 164p, after 158p, following the chairman's profits warning at the annual meeting. Barker and Dobson gave up 2 to 6¼p on the board's indication that the company will incur a loss in the region of £1.5m for the current trading year. Peek Holdings, however, jumped 5 to 24p in response to speculative support.

Sale Tilney up again

Apart from U.S. favourites such as BTR, down 8 at 725p, and Glaxo, ½ lower at £11¼, movements in the miscellaneous industrial leaders were small and mixed. Metal Box, however, enjoyed a busy trade and finished 13 to the good at 435p. Elsewhere, Sale Tilney responded afresh to the bumper results with a further gain of 22 to 530p, but poor interim figures prompted a reaction of 17 to 73p in VW Thermax. Keen and Scott hardened a penny to 63p on the announcement of Hawley Group's decision to purchase up to 7.05m shares in Keen and Scott through the market at 65p. Valor, reflecting acquisition news and the accompanying profits and dividend forecast, improved 5 to 208p. Appledore continued to benefit from the joint venture with Bellway to acquire Falmouth Shiprepairs and rose 5 further to 127p. Bestobell, on the other hand, fell 10 to 237p after the decision to defer announcement of the preliminary figures to conclude Australian subsidiary to conclude negotiations now taking place following losses on a thermal insulation contract. Beechers "B" were dull at 270p, down 10, but EIS continued to make progress and put on 10 more to 198p, while Brook Street edged up 5 to 114p. Fisons were quoted ex rights at 313p with the new nil-paid shares at 68p premium.

Jaguar became a notable casualty, falling 15 to 342p, after 338p as sentiment drooped in the wake of sterling's recovery; the preliminary results are expected tomorrow. BL held at 45p following the annual figures. Elsewhere in Motors, Automotive Products, initially firm at 64p, slumped to 56p, a net loss of 6 following the bearish remarks concerning second-half trading.

The introduction of VAT on newspaper and magazine advertising appeared to be discounted and related prices displayed little change. Elsewhere, Watmoughs gave up 15 to 280p following the proposed rights issue, while recent speculative high-flier Delyn Packaging dipped 7 to 115p on news that John Carrington has reduced its holding in Delyn to below 15 per cent.

The Chancellor's proposals on capital gains tax reform fell short of expectations and prompted a sharp reaction in the Property sector. Sellers quickly made their presence felt after the news and early gains of several pence were substantially reduced and occasionally replaced by net falls on the day. Land Securities settled a penny cheaper on balance at 301p, after 308p, while MEPC, after touching 313p at one stage, eased back to close just a couple of pence dearer at 310p. Residential property developers turned back quite sharply after making further good progress initially. Dacjan settled only 5 higher on the day at 375p, after 390p, while Bradford finished 5 cheaper at 405p, after 420p. Elsewhere, Laing Properties rose 10 to 310p following the good annual results, while Rush and Tompkins gained the same amount to 234p on news of the discussions about the possible acquisition of the northern operations of Joseph Cartwright. On the other hand, the annual loss and dividend omission left New England Properties 4 down.

The Budget proposals made little apparent impact on Tobaccos. Bats suffered from the strength of sterling and gave up 12 to 363p, after 358p, while Imperial, down to 181p earlier, rallied to close 4 up on balance at 189p as rumours about the future of Howard Johnson resurfaced.

Britoil improve

Oils were unaffected by the Budget and dealers paid more attention to the trends in crude oil spot markets and foreign exchanges. Worries over the escalation of the Iran/Iraq war boosted spot prices early on, but they subsequently eased back to close virtually unchanged on the day. Royal Dutch and Shell suffered from the renewed weakness of the dollar with the latter retreating to 738p before closing a net 23 lower at 740p. The former were finally a point off at £41. Britoil attracted further support in front of tomorrow's peliminary results and moved up 10 more to 220p.

IC Gas continued to gain ground and touched 358p prior to ending the day 16 up on balance at 356p. Sovereign Oil raced ahead after-hours and closed 30 higher at 207p.

Overseas Traders highlighted Paterson Zochonis which advanced 15 to 150p, after 152p, following the interim profits and dividend. Lonrho shares rose a similar amount to 148p, after 150p.

Golds surge ahead

Renewed pressure on the dollar produced a marked increase in the upward momentum in the bullion price which raced ahead to touch $320 an ounce before easing to close a net $19.25 higher at $318 — its best closing level since mid-December and the biggest gain in a single day since October 7, 1982.

Continuing relief that the South African Budget proposals had restricted the increase in the surcharge on gold mining taxation to 5 per cent coupled with the surge in gold prices triggered heavy buying of Golds from London sources. Demand continued throughout the session with U.S. investors said to be aggressive buyers during the afternoon. Interest tended to peter out after-hours but most issues were left with good gains on balance and the Gold Mines index jumped a further 25.3 to 507.0 — the largest one-day rise since last July.

Financials mirrored the buoyant showing by Golds. "Amgold," heavily bought in the U.S. on Monday evening, dipped sharply to £75¼ during early trading, reflecting profit-taking from Swiss sources, but subsequently rallied to close a net ⅞ to the good at £77⅞. UK Financials were once again highlighted by Consolidated Gold Fields which raced ahead to settle a further 14 firmer at 509p — a two-day gain of 31. Rio Tinto-Zinc moved up a like amount to 660p.

Platinums shrugged off the imposition of a 15 per cent surcharge on mining taxation, introduced in the South African Budget, and regained most of the losses sustained on Monday afternoon.

A lively pre-Budget session in Traded Options resulted in 10,048 contracts struck. The FT-SE 100 accounted for 634 calls and 949 puts, while the short gilt contract attracted 386 calls and 111 puts. Jaguar were to the fore, partly reflecting the strength of sterling, with 950 calls and 318 puts transacted, while British Telecom, due to announce third-quarter figures tomorrow, recorded 699 calls and 507 puts.

FINANCIAL TIMES STOCK INDICES

	Mar. 19	Mar. 18	Mar. 15	Mar. 14	Mar. 13	Mar. 12	year ago
Government Secs.	80.46	80.30	80.26	79.91	80.15	80.41	83.15
Fixed Interest	84.21	84.01	83.87	83.86	83.67	83.60	86.81
Ordinary	997.5	995.4	1008.5	990.1	987.4	990.4	897.6
Gold Mines	507.0	481.7	479.9	485.9	484.1	481.7	700.4
Ord. Div. Yield	4.56	4.55	4.52	4.57	4.55	4.55	4.36
Earnings, Yld.% (full)	11.26	11.25	11.16	11.28	11.33	11.31	9.41
P/E Ratio (net) (*)	10.81	10.82	10.91	10.79	10.75	10.75	12.81
Total bargains (Est.)	25,271	26,639	26,480	24,164	26,804	27,259	26,440
Equity turnover £m.	—	387.57	411.55	395.28	387.26	374.93	404.02
Equity bargains	—	25,508	22,581	21,095	23,521	24,659	24,894
Shares traded (mil)	—	178.2	204.1	180.6	190.8	214.4	216.4

10 am 993.8. 11 am 994.9. Noon 994.0. 1 pm 994.7. 2 pm 994.0. 3 pm 994.5.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=10.45.

HIGHS AND LOWS / S.E. ACTIVITY

	1984/85 High	1984/85 Low	Since Compilat'n High	Since Compilat'n Low		Mar. 18	Mar. 15
Govt. Secs.	85.77 (9/1/84)	74.72 (30/7/84)	127.4 (9/1/35)	49.18 (3/1/75)	Daily Gilt Edged Bargains	173.1	162.0
Fixed Int.	87.48 (14/3/84)	80.43 (30/7/84)	150.4 (28/11/47)	50.53 (3/1/75)	Equities Bargains	166.3	145.3
					Value	661.7	832.0
Ordinary	1024.6 (22/1/85)	755.3 (23/7/84)	1024.5 (22/1/85)	49.4 (26/6/40)	5-day Average Gilt Edged Bargains	159.0	167.7
Gold Mines	711.7 (9/5/84)	439.5 (28/1/85)	734.7 (15/2/83)	43.5 (26/10/71)	Equities Bargains	160.7	150.9
					Value	766.7	874.7

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Figures in parentheses show number of stocks per section

EQUITY GROUPS & SUB-SECTIONS	Tues March 19 1985 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	Mon March 18 Index No.	Fri March 15 Index No.	Thur March 14 Index No.	Wed March 13 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (206)	558.40	+0.4	9.87	3.88	12.67	556.37	558.22	551.59	549.48	532.93
2 Building Materials (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (36)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (60)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (183)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Newspapers, Publishing (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Packaging and Paper (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (45)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
39 OTHER GROUPS (96)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Chemicals (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Shipping and Transport (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Miscellaneous (61)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (483)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oils (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (114)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (106)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (738)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Tues March 19	Day's change %	Mon March 18	xd adj. today	xd adj. 1985 to date
British Government 1 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 5-15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Preference	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BRITISH GOVERNMENT INDEX-LINKED STOCKS 8 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS		Tues March 19	Mon March 18	Year ago (approx.)
British Government				
1 Low Coupons	5 years	[illegible]	[illegible]	[illegible]
2	15 years	[illegible]	[illegible]	[illegible]
3	25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons	5 years	[illegible]	[illegible]	[illegible]
5	15 years	[illegible]	[illegible]	[illegible]
6	25 years	[illegible]	[illegible]	[illegible]
7 High Coupons	5 years	[illegible]	[illegible]	[illegible]
8	15 years	[illegible]	[illegible]	[illegible]
9	25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables†		[illegible]	[illegible]	[illegible]
11 Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
12	15 years	[illegible]	[illegible]	[illegible]
13	25 years	[illegible]	[illegible]	[illegible]
14 Preference		[illegible]	[illegible]	[illegible]
15 Inflation rate	5%	[illegible]	[illegible]	[illegible]
16	10%	[illegible]	[illegible]	[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series	May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
GOLD C / GOLD P series	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SILVER C / SILVER P series	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$/FL C / $/FL P series	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
£/$ C / £/$ P series	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ABN C, AEGN, AH, AKZO, AMRO, GIST, HEIN, HOOG, KLM, NEDL, NATN, PHIL, RD, ROSE, UNIL series	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 28,800

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option	Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts Jly.	Puts Oct.
B.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Com. Union	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
G.E.C.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I.C.I.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Sec.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Sp.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar Hse	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option	Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
BAT Inds.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bt. Telecom	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Imperial Gp.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LASMO	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lonrho	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P. & O.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R.T.Z.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vaal Reefs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ex. 10% 1990	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option	Calls Mar.	Calls Jun.	Calls Sept.	Puts Mar.	Puts Jun.	Puts Sept.
BTR	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Beecham	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
De Beers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GKN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jaguar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tesco	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Index	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Mar. 19. Total contracts 10,048 Calls 6,088. Puts 3,960
* Underlying security price.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price p	+ or −	Net Div.	Times covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Addison Page 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	BTS 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Berkeley Technology	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Bluebird Toys 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Cullen's Hldgs 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	German Smaller Cos.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Hillsdown Hldgs. 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Mann 20p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Mayhew Foods 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Mermaid Int. 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Osborne & Little 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Pacific Assets Tst. 50p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Do. Ser. 1 Warrants	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	P&O Warrants	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Pepe 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Sangers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Serina Catering 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Synapse Comp'r 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

NEW HIGHS AND LOWS FOR 1984/5

NEW HIGHS (123)

BRITISH FUNDS (7)
FOREIGN BONDS (1)
BREWERS (2)
BUILDINGS (4)
CHEMICALS (3)
STORES (9)
ELECTRICALS (3)
ENGINEERING (13)
FOODS (3)
HOTELS (3)
INDUSTRIALS (24)
INSURANCE (7)
LEISURE (2)
MOTORS (4)
NEWSPAPERS (2)
PAPER (4)
PROPERTY (18)
SHOES (1)
TEXTILES (1)
TRUSTS (9)
OILS (2)
PLANTATIONS (1)
MINES (1)

NEW LOWS (13)

AMERICANS (2)
Derma-Lock Medical HMC
BUILDINGS (1)
Arncliffe
ELECTRICALS (1)
HB Electronic Comps.
ENGINEERING (1)
Belgrave Hldgs.
FOODS (1)
Barker & Dobson
INDUSTRIALS (2)
Brengreen, Fortil-A-Chron
TEXTILES (1)
Youghal Carpets
OILS (1)
Ranger Oil
MINES (2)
Emu Hill Gold, HMC Australasia

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Brown Matthew	18	407	+34
Cons Gold Flds	18	495	+17
Ford (Martin)	18	48	+3
ICI	18	800	−15
BTR	18	733	−15
Thorn EMI	18	408	−15
Falcon Res	14	455	−15
Low & Bonar	14	400	−10
Mercantile Hse	14	299	−26
Scot New Brew	14	136	+6
Allied Irish Bk	13	112	−20
Dunlop	13	32	−1
British Telecom	12	135	−2
Petranol	12	280	—

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Mar 4	Mar 15	June 13	June 24
Mar 18	Mar 29	June 27	July 8
Apr 1	Apr 19	July 11	July 22

For rate indications see end of Share Information Service

Call options were transacted in Oliver Prospecting, Solicitors Law Stationery Society, Inter-City, Quest Automation, British Dredging, Fobel International, Croda, Premier Oil, Debenhams, Otter Exploration, Carr Boyd, Metals Exploration, Blackhill Minerals, ACM, Jardine Matheson, Crystalate, Mersey Docks, Barratt Developments, Imps, Thorn EMI, Sarasota Technology, North Kalgurli, Cosalt and Bougainville. No puts were reported, but doubles were struck in Quest Automation and A and M Hire.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	82	1	12
Corpns., Dom. and Foreign Bonds	2	2	47
Industrials	309	270	863
Financial and Props.	107	137	304
Oils	20	32	71
Plantations	0	7	5
Mines	85	16	77
Others	21	142	59
Totals	663	607	1,434

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Barratt Developments	78	+12
Croda International	145	+8
Fisons	313xr	+10
GUS A	783	+30
Hawker Siddeley	428	+17
Hogg Robinson	350	+4
ICI	777	−23
Jaguar	342	−15
North Kalgurli	30	+4
Prudential	580	+34
Shell Transport	740	−23

LONDON SHARE SERVICE

BRITISH FUNDS

1984-85 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
98	93	Treas 3pc 1985	98	+	3.06	14.08
102⅞	99	Treas 11½pc 1985	99	+	11.55	12.91
99¾	96	Treas 8¼pcCnv '85	98¼	+	8.91	12.67
104	99	Exch. 12¼pc 1985	99⅞	+	12.27	12.32
103	99	Exch. 11¾pc '86	99	+	11.77	11.93
102	96	Treas. 10pcCnv 1986	98 xd	+	10.18	11.91
94	88¼	Treas 3pc 1986	93¾	.....	3.20	8.75
102	96¼	Exch. 10½pc Cv '86	98⅜	+	10.67	12.01
104	99	Treas 12pc 1986	99⅞	+	12.02	12.05
98¼	93½	Treas 8¾pc 1984-86‡‡	96¼	+	8.84	11.76
108	102	Exch. 14pc 1986	103	+	13.58	11.81
89¾	85	Exch. 2½pc 1986	89½	.....	2.81	9.67
107	100	Exch. 13¼pc 1987	102	+	12.93	11.70
100⅝	94½	Treas 10¼pcCv '87	97	+	10.51	11.69
87¼	83½	Exch 2½pc 1987	87	+	2.85	9.62
101	94½	Exch. 10½pc 1987	97⅞ xd	+	10.73	11.72
92¾	87	Funding 6½pc '85-87‡‡	91	+	7.13	11.29
99⅝	92¾	Treas. 10pc 1987	96	+	10.36	11.76
86½	81	Treas 3pc 1987	86½	+	3.47	9.63
105	97¼	Treas. 12pc 1987	100¼	+	11.96	11.89
94⅞	87	Treas 7¾pc 1985-88‡‡	92	+	8.42	11.07
100¼	92	Exch 10½pc '88	96¼	+	10.85	11.76
98	89	Treas 9¾pc Cv '88	94⅝	+	10.30	11.77
83½	77	Transport 3pc '78-88	83¼	+	3.61	9.05
96	88	Treas. 9½pc '88	93½ xd	+	10.16	11.79
106¼	94	Treas 11½pc 1989	99½	+	11.56	11.65
96	87	Treas 9½pc Cnv. '89	93⅛ xd	+	10.20	11.69
99⅝	90	Treas 10½pc 1989	95¾	+	10.97	11.82
100	88⅞	Exch 10pc 1989	94¼	+	10.61	11.71
101	94¼	Exch 11pc 1989	97½ xd	+	11.28	11.72
85½	77½	Treas 5pc 1986-89	81⅞ xd	+	6.11	10.05
114⅛	100¼	Treas 13pc 1990‡‡	105¼	+	12.37	11.57
97	96	Exch 11pc 1990●●	97½	+	11.28	11.67
		Five to Fifteen Years				
110⅞	100¼	Exch. 12½pc 1990	102⅞ xd	+	12.14	11.71
94⅛	84⅞	Treas 8¼pc 1987-90‡‡	91⅝	+	9.22	10.95
98	90⅜	Treas. 10pcCv 1990	91⅞ xd	+	10.77	11.79
108⅞	94½	Treas 11¾pc 1991	101⅞	+	11.79	11.82
84⅛	75⅝	Funding 5¾pc '87-91‡‡	81½ xd	.....	7.04	9.86
105¼	93⅞	Exch. 11pc 1991	95¼ xd	+	11.36	11.71
113¼	98⅞	Treas 12¾pc 1992‡‡	106⅞	+	12.16	11.70
100⅝	86	Treas 10pc 1992	93½	+	10.78	11.54
101	94	Treas 10½pc Cv 1992‡‡	100⅛	+	11.09	11.59
111¼	95¼	Exch. 12¼pc '92	103½	+	11.97	11.77
117½	104⅝	Exch 13½pc 1992	107¾ xd	+	12.52	11.89
113⅞	98⅛	Treas 12½pc 1993‡‡	106¼	+	12.02	11.72
79⅞	71¼	Funding 6pc 1993‡‡	77⅝ xd	+	7.74	9.98
121¼	106¼	Treas 13¾pc 1993‡‡	114½	+	12.49	11.84
126⅛	108⅞	Treas 14½pc 1994‡‡	115⅞	+	12.60	11.72
120⅝	106	Exch 13½pc 1994	114⅛	+	12.41	11.88
114¼	96¼	Exch. 12½pc 1994	105	+	12.01	11.77
94½	82⅞	Treas 9pc 1994‡‡	90¼	+	10.26	11.10
110⅝	94⅞	Treas 12pc 1995	103⅝	+	11.83	11.73
67⅞	58⅞	Gas 3pc '90-95	67¾	+	4.50	7.84
100⅝	86	Exch. 10¼pc 1995	94	+	11.10	11.57

AMERICANS—Cont.

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HOTELS AND CATERERS

INDUSTRIALS—Continued

1984-85 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
304	65	Marley	88xd	+1	3.75	φ2.2	6.1	9.9
86	40	Marling Ind. 10p	85	.....	†d3.0	5.6	2.2	10.0
46	29	Marshall L'ey. 'A'	41	–1	†1.2	3.6	4.2	(7.3)
77	37	Marshall's Universal	69	...	2.0	♦	4.2	♦
89	77	Do. 7½pcCuRedPf £1	82	...	7½%	—	13.1	—
30	20	Martin-Black	22ø	.....	—	—	—	—
£108	£81	♦Mathesons 7¾%	£96	.....	Q7¾%	2.3	10.4	—
495	287	Metal Box £1	435	+13	†15.0	3.2	4.9	7.0
228	129	Metal Closures	163	...	6.3	2.3	5.5	(9.0)
27	9	♦Metal Sciences 2½p	13	...	—	—	—	—
133	73	♦Midland Marts	90	+7	4.0	1.8	6.3	11.4
84½	45	Mitchell Cotts	73	–1	4.6	1.5	8.0	10.2
218	132	Morgan Crucible	218	...	†7.5	1.2	4.9	(22.0)
*34	22	♦Morris (W) F.A. 20p	27½	–½	φ0.5	♦	2.6	♦
110	80	Moss (Robt.) 10p	102	–2	‡12.5	2.3	3.5	14.8
330	197	♦MK W Computers	307	–1	6.0	3.0	2.8	17.1
65	35	Nash Inds.	37	...	2.5	1.5	9.7	8.5
48	30	Neill & Spencer 10p	38	.....	—	—	—	11.4
33	13	Newman Industries	22	–1	—	—	—	(12.4)
31	16½	Do. 10pc Cm.Cm.Pf	27	+½	10%	—	5.3	—
97	39	Nolton	95	...	41.1	4.5	2.9	9.2
183	132	Norcros	163	...	†7.5	2.4	6.6	8.6
86	53	Nu-Swift 5p	55	+1	†2.4	3.2	6.2	7.2
100	50	Oakwood Grp.	93	.....	d4.5	1.4	6.9	(3.7)
190	135	Office & Elect	165	+2	7.5	4.2	6.5	7.6
108	88	Oldacre 20p	88	.....	u4.0	2.6	6.5	7.8
925	625	Oriflame Intl SA	925	.....	46.81	♦	7.5	♦
46	15	Owenstone 12½c	16	.....	†04.5c	2.2	‡	3.7
£175	£120	Ozalid 9pc Cnv 87-92	£175	+1	Q9%	—	5.2	—
190	105	♦PCT Grp 10p	120	+5	g4.8	2.9	5.6	7.3
£14	975	PLM 'B' Sk25	£13½	.....	Q21.6%	♦	4.1	♦
199	149	PSM Intl	179	.....	bg5.25	2.6	4.2	13.1

LEISURE—Continued

1984-85 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
288	182	LWT	245	..	14.4	2.3	8.4	7.4
75	42	Leisuretime Int 10p	62	..	2.1	♦	4.9	♦
160	98	Mngmt. Ag. M. 10p	152	..	8.75	1.2	8.2	13.6
184	118	♦Media Tech Int 20p	157	.....	ug2.58	3.9	2.3	15.5
200	76	Medminster 10p	198xd	–2	‡4.85	2.6	3.5	13.3
240	138	♦Mos World 10p	230	.....	3.6	4.1	2.3	15.5
26	15	♦Nationwide Leis.	24½xd	...	0.5	♦	2.9	♦
46	9	♦Nimslo Int 20c	26	.....	—	—	—	—
31½	14¼	♦Owners Abroad	20½	...	0.75	6.1	5.2	3.7
66	33	Photax (Lon.)	42	...	—	—	—	—
29½	20	♦P'dilly Radio NV 5p	25	.....	1.87	♦	11.6	♦
130	55	♦Pineapple Dnc St 10p	70	...	d1.5	1.2	3.1	37.6
430	285	Pleasurama 5p	425	.....	Hg9.2	4.7	3.1	13.8
86½	75	♦Pres Entertain 50p	86½	.....	bg2.0	2.0	3.3	23.5
158	30	♦Radio City 'A' NV	30	–3	5.6	0.9	26.7	6.0
70	45	♦Radio Clyde N/V	45	–2	3.25	2.0	10.3	6.6
148	30	Riley Leisure 10p	52	–4	‡4.2	2.4	‡	4.3
192	94	Saga Hols. 20p	187xd	..	4.0	♦	3.1	♦
£10½	111	Samuelson Grp £1	935	+5	†9.0	3.6	1.4	36.3
39	18	♦Sangers Photo 10p	39	+1	b2.0	1.1	7.3	17.6
187	138	♦Scamro 50p	187	+7	bg3.68	2.2	2.8	22.7
190	98	Scott. TV 'A' 10p	155	.....	†8.1	2.9	7.5	7.2
508	186	SeaCo Inc $0.125	418	–15	—	—	—	—
35	9	♦SelecTV 10p	13	.....	—	—	—	—
145	110	♦Spectrum 5p	110	...	g2.0	4.8	2.6	11.6
37	24	TSW 5p	29	.....	1.5	2.6	7.4	7.3
157	79	TVS N/Vtg 10p	133	...	6.0	2.2	5.4	10.1
222	102½	♦Television Svcs 50p	212	–3	d1.5	4.2	1.0	61.5
90	60	Tottenham Hotspur	73	...	†d2.3	1.6	7.8	(17.7)
260	120	Trid'nt TV 'A' 10p	245	.....	♦7.5	1.8	4.4	18.3
173	100	♦21st Century Dcz	160	.....	—	—	—	—

PROPERTY—Continued

1984-85 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
325	256	Lynton Hdgs. 20p	323	–2	†5.5	1.7	2.4	29.7
336	250	MEPC	310	+2	9.0	1.4	4.1	22.8
140	75	Markheath	95	+5	d9.75	0.9	14.7	(12.6)
60	41½	♦Marlborough 5p	54	+1	0.5	—	1.3	—
155	88	Marler Estates	155	...	2.0	6.2	1.8	9.2
119	100	♦Mayfair City Props	105	...	bg3.0	1.2	4.1	21.4
74	52	McInerney 10p	68	..	Q76.9%	5.0	9.9	3.1
120	86½	McKay Secs 20p	120	+5	†h2.8	3.6	3.3	11.5
300	210	Mountleigh	295	+5	F6.5	3.5	3.1	11.7
345	228	Mountview Ests. 5p	335	...	4.5	9.5	1.9	7.8
88	72	Muckiow (A. & J.)	81	...	†4.73	1.2	8.5	(12.0)
87	67	New Cavendish 5p	82	+2	h1.09	1.1	1.9	63.4
37	15	♦New England Props 5p	21	–4	—	—	—	—
37	28	Parkdale Hldgs. 10p	29	..	†0.9	1.7	4.4	16.2
248	184	Peachey	245xd	...	†7.0	2.8	4.1	13.4
345	208	Peel Hldgs	345xd	+5	†d7.35	1.7	3.0	(25.5)
37	17	Phoenix Prop. and Fin.	34	+½	—	—	—	♦
805	310	Priest Marians £1	800	...	B—	—	—	—
132	84	Prop.Hldg. & Inv	132	+1	†h2.25	1.5	2.4	38.8
355	275	Prop. Partnership	330	...	†7.0	1.8	3.0	29.5
198	166	Prop. & Reversion'y	188	+4	†3.7	1.5	2.8	36.6
137	111	Prop. Sec. Inv 50p	132	+2	†2.25	2.2	2.4	(22.0)
11	7¼	Raglan Prop 1p	7½	...	0.09	4.1	1.7	21.7
96	64	Regalian	96	+2	†2.5	3.6	3.7	10.7
29	19	Regentcrest 10p	22½	+½	1.0	0.9	6.3	(26.5)
225	170	Rohan Group 10p	185	...	Q18.2%	1.9	8.3	9.8
950	297	Rosehaugh £1	925	...	3.36	8.4	0.5	29.0
264	204	Rush & Tompkins	234	+10	7.25	2.2	4.4	11.6
157	131	Samuel Props	153	..	5.5	1.2	5.1	22.0
$99⅞	$31½	Saraktreek Holding NV	$35	...	Q$2.50	♦	7.1	♦
92	79	Scot. Metrop. 20p	89	+1	3.75	1.0	6.0	22.9

INVESTMENT TRUSTS—Cont.

1984-85 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
251	192	Eng & Internatl	251		16.25	1.0	3.6
44	30	Do. Warrants	44		—	—	—
108½	69	Eng & NY Trust	108½		2.5	1.1	3.3
78	52	Eng & Scot. Inv	78		1.25	♦	2.3
266	180	Equity Consort £1	266	..	N10.68	1.4	5.7
449	330	Do. Dfd 50p	449	+8	F12.95	0.9	4.1
156	103	European Assets DFl1	150	–4	vQ10%	♦	1.7
97	70	F & C Alliance Inv	96	–1	u1.65	1.1	2.5
142	86	F & C Eurotrust	142	.....	1.6	1.0	1.6
164	116	F & C Pacific Inv. T.	158	–1	u3.5	—	3.2
210	162	Family Inv. Tst.	210xd	+4	6.9	♦	4.7
345	270	Fashion & Gen.	345	...	†9.4	1.0	3.9
12½	9	First Charlotte Assets	12½	+½	0.05	1.7	0.6
279	195	First Scot. Am.	269xd	–4	6.75	♦	3.6
245	160	FUGIT R0 25	170		Q19c	♦	5.4
45	36	Fledgeling Japan 1c	44	–1	—	—	—
25	13	Do. Warrants	17½	–1	—	—	—
590	344	Fleming American	556	–10	5.25	1.2	1.4
153	99	Do 7pc CvUnLn 1999	147	–3	Q7%	—	f4.8
260	185	Fleming Claverhouse 50p	253	+1	8.7	1.0	4.9
258	180	Fleming Enterprise	253	...	†7.3	1.0	4.1
326	228	Fleming Far Eastern	317		2.0	1.1	0.9
109	83	Fleming Fledgeling	109	.	H2.25	1.0	2.9
560	392	Fleming Japanese	556	–1	3.0	0.9	0.8
118	90	Fleming Mercantile	117xd	–1	3.0	♦	3.7
134	82	Fleming Overseas Tst.	125	.	h2.33	1.0	2.7
163	119½	Fleming Tech. Inv.	159	–2	2.2	1.0	2.0
334	216	Fleming Universal	330	–3	6.75	1.0	2.9
148	110	Foreign & Col.	140xd	–1	2.55	1.0	2.6
64	51½	Fulcrum Inc.	58½xd	..	5.25	1.0	12.8
5¼	3¼	Do. Cap. 2½p	5¼		—	—	—

OIL AND GAS

1984-85 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
110	100	‡‡Aberdeen Am Pet £1	100	.....	—	—	—	—
38	12	‡‡Am Oil Flds 20p	22ø	...	—	—	—	—
*83	28½	Anvil Pet 20p	68	–2	—	—	—	—
83	31	‡‡Aran Engy 20p	45	–1	—	—	—	—
142	46	‡‡Atlantic Res Ir£.05	64	–2	—	—	—	—
602	237	♦Bell Resources	395	–15	Q25c	♦	4.2	♦
155	62	♦Berkeley Explo.	135	.....	—	—	—	—
233	130	♦Bridge Oil	132	+2	—	—	—	—
64	23	Bristol Oil & Mins.	27	...	—	—	—	—
338	265	Brit. Borneo 10p	315	.....	15.0	1.4	6.8	14.7
575	395	Brit. Petroleum	535xd	.....	30.0	φ2.1	8.0	7.0
81	65	Do. 8pc Pf. £1	71	...	5.6%	‡	11.3	—
277	185	Britoil	220	+10	10.0	3.1	6.5	7.1
41	17½	♦Brunswick A$1	29	..	—	—	—	—
325	70	‡‡Bryson Oil Gas 10p	120	...	—	—	—	♦
35	10	‡Bula Res Ir£0.25	13	.....	—	—	—	—
240	161	Burmah £1	209	+7	9.75	2.0	6.7	8.9
£83	£71½	Do.8½pcLn.91-96	£77¾	...	Q8½%	18.2	f12.5	—
385	185	‡‡Caledonian Off £1	385	...	‡—	—	—	—
247	150	Carless Capel 10p	163	–2	2.75	1.5	2.4	(34.0)
80	53	Century 10p	77	–2	3.5	1.0	6.5	(23.0)
84	46	Charterhall 5p	49	.....	0.6	4.8	1.7	12.0
167	95	Charterhouse Pet.	112	+1	0.75	9.4	1.0	32.1
£38½	£25¾	Chevron Cpn. $3	£29⅞	–¼	Q$2.40	—	7.2	—
15	6	♦Churchill Energy	11	–½	—	—	—	—
£26½	£14⅝	Cie Fr. Petroles B	£23	–¼	ø30%	—	5.6	—
151	91	♦Claremont Pet NL	102	.....	—	—	—	—
110	45	♦Cluff Oil £1	50	.....	—	—	—	—
40	12	Do. Warrants 'B'	14	.....	—	—	—	—
150	80	Clyde Petroleum	93	+1	0.91	3.8	1.4	22.9
10½	4	♦Command Pet. N.L.	5½	.....	—	—	—	—

MINES—Continued

Finance

1984-85 High	Low	Stock	Price	+ or –	Div Net	C'vr
150	105	Afex Corp SA $1.50	120	..	Q7.5c	2.1
£21	£13½	Ang. Am. Coal 50c	£18½	..	†Q145c	3.1
£14	930	Anglo Amer 10c	£13⅝	+⅛	Q120c	2.0
£89¾	£68	Ang. Am. Gold R1	£77⅝	+⅞	Q1025c	♦
£39½	£25½	Anglovaal 50c	£38	..	†Q315c	3.8
262	165	Charter Cons. 2p	200	.....	11.0	1.1
33½	22	♦Clogau Gold 10p	30	+2	—	—
627	463	Cons. Gold Fields	509xd	+14	24.5	1.4
74	29½	East Rand Con. 10p	72	.....	†1.5	0.9
£13¾	837	Genbel R1	937	+12	Q133c	1.2
*£17¾	915	Gencor 40c	£10⅞	+⅛	Q190c	♦
13½	9	Gold & Base 12½p	12½	.....	—	—
£19½	£10¾	Gold Fields S.A. 5c	£13½	+½	†Q100c	2.0
£100¼	£66	Jo'burg Cons. R2	£79	+1	Q750c	♦
£12¾	700	Middle Wit 25c	825	.....	†Q90c	1.8
792	480	Minorco $BD1.40	715	+5	Q22c	1.4
637	369	New Wits 50c	462	+17	†Q50c	1.7
37	14	Rand London 15c	26	.....	—	—
720	430	Rand Min. Props. R1	598	.....	MQ65c	2.6
£33¾	£20¾	T'vaal Cons.Ld.R1	£27	.....	Q280c	2.6
180	75	Vogels 2½c	105	..	Q16c	♦

Australians

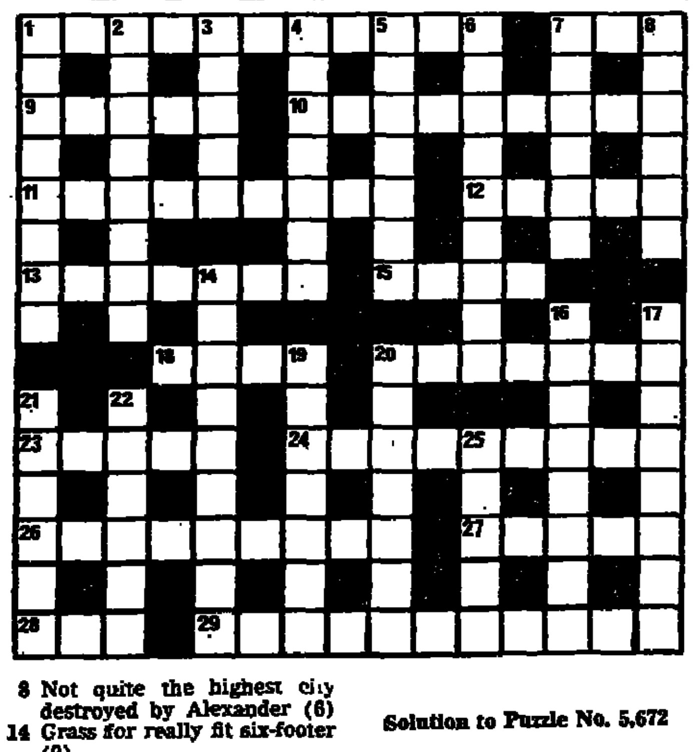
1984-85 High	Low	Stock	Price	+ or –	Div Net	C'vr
41	17	♦ACM 50c	29½	+1	—	—
38	16	♦Allstate Expl'n. NL	16		—	—
10½	2½	♦Asia Oil & Minerals	2½		—	—
20	11	♦Aust. Hydrocarbons NL	12		—	—
28	8	♦Australis Mng N.L.	8		—	—
45	15	♦Balmoral Res.	23	+4	—	—
36	17	♦Black Hill Mins	20	+1	—	—

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,673



ACROSS

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10 Cervical impediment that grinds? (9)
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20 Wrong name given to one woodland plant (7)
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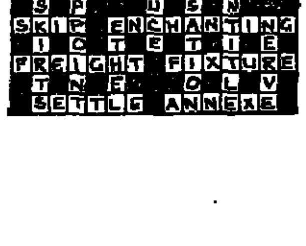
25 Using some model vessels research thoroughly (5)

Solution to Puzzle No. 5,672



INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

CAL Investments (IoM) Ltd
16 St Georges Street, Douglas, IoM 0624 20231

CAL C & C*	53 4	56 2		—
CAL Metals*	85 4	89 9		—
CAL Silver**	192 4	203 5	+4.3	—
CAL Gold**	67.2	70 7	+1 6	—
CAL Copper**	107.1	112.7	−1 6	—
CAL Aluminium**	66 4	69.9	−1 8	—

*Dealing Monday. **Dealing daily.

CAL Investments (Bermuda) Ltd
PO Box 1022, Hamilton, Bermuda. (809-29) 55950

CAL CTP Fund	45 19	47 6	−3.6	—
CAL Futures Fund	106.06	108.2	−4.1	—

Capital International Fund S.A.
43 Boulevard Royal, Luxembourg

Capital Int Fund	$35.17	—		—

Capital Preservation Fund Intl.
14 rue Aldringen, Luxembourg 1118

Cap Pres Fund	$11.20			—

Cater Allen Investment Management (C.I.)
2½ Broad St, St Helier, Jersey, CI. 0534 78898

CA Dollar Inc Fd.	$10 24	10 26		10 52
CA Gilt Edg Fd	£12 55	12.63xd	+0.02	11 40

Charterhouse Japhet
1 Paternoster Row, EC4 01-248 3999

Emperor Fund	$9 00	9 49	−0.08	—
Euro Global Inc Fd	$38.31	39 93		4 88

Charterhouse Japhet Currency Mngt. Ltd.
PO Box 189, St Helier, Jersey. 0534 74689

World Wide Growth Management◊
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$11.45	—	+0.11	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd, London.

Wren Commodity Management Ltd.
10, St George's St, Douglas IoM. 0624 25015

Wren Com. Fund	12.8	13.4	...	3.10
Chemical Fund	58.2	60.6	—	1.70
Precious Metal Fund	67.3	70.1	...	8.30
Vanguard Cmdy. Fd.	19.2	19.7	...	0.00
Financial Futures Fd.	32.1	33.5	...	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Dynamic Gwth Fd	$8.61	—	+0.04	—

Money Market Trust Funds

	Nom	CAR	Int Cr	Notice
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	14 70	15.38	6-mth	Call
7-day Fnd	14.21	14.84	6-mth	7-day
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	14 9	15.01	6-mth	Call
7-day Fund	14.13	14.62	6-mth	7-day
Money Mngt. Acct	14.00	14.75	3-mth	Call
Dollar	7.44	7.57	6-mth	2-day

Money Market Bank Accounts

	Nom	CAR	Int Cr	Notice
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	13.75	14.48	Qtr	Call
Mth. Int. Chq.	13.50	14.37	Mthl	Call
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc.	13.20	14.03	Mthl	Call
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	13.50	14.19	Qtr	Call
Britannia Grp of Investment Companies 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	13.50	14.37	Mthl	Call
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	13.25	14 085	Mthl	Call
U.S. Dollar	8.0	8 3	Mthl	Call
German Marks	5.0	5.115	Mthl	Call
Swiss francs	2.0	2.018	Mthl	Call
Japanese Yen	5.0	5.115	Mthl	Call
Co-operative Bank 78-80 Cornhill EC3 01-626 6543 Ex 464				
Under £1,000	12.00	12.55	Qtr	Call
Over £1,000	14.00	14.75	Qtr	Call
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc.	13.50	14.20	Qtr	Call
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	13.20	14.03	Mthl	Call
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
Notice Dep	13.25	13.68	Qtrl	14-day
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
High Int Cheque Acc.	13.50	14.40	Daily	Call
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	13.38	14 06	Qtr	Call
Provincial Trust (formerly Choulartons) 30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011				
Cheque Acc	14.00	14.93	Mthl	Call
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
High. Int. Bk. Acc.	13.36	14.30	Daily	Call
Premier Acc.	13.36	14.30	Daily	Call
Tyndall & Co 29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc	14.05	14.80	Qtr	Call
Money Acc.	13.75	14.47	Qtr	Chq/7
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	13 75	14.46	Mthl	Call
Over £10,000	14.00	14.93	Mthl	Call

COMMODITIES AND AGRICULTURE

Big Soviet purchases of vegetable oils expected

By John Buckley

THE SOVIET UNION has recently been in the market for significant quantities of vegetable oil and is expected to take further sizable tonnages of soya, palm or rapeseed oils, according to European merchants.

Much of the recent trade in soyabean oil has been filled by Dutch or West German houses eager to take advantage of depressed prices offered by Spanish soyabean crushers who sold cheaply before the U.S. futures market embarked on a fresh upturn.

This brisk business saw some Soviet vessels loaded within 48 hours of deals being struck, traders said, nothing that these sales sales were in addition to some 40,000 tonnes of soyabean oil bought up to last month from the U.S.

Several merchants believe the Soviet Union is likely to seek imports of some 40-50,000 tonnes a month. A much larger theoretical gap than this exists between domestic production and consumption but depressed gold and petroleum prices have reduced Soviet foreign currency reserves and have contained its imports programme.

Meanwhile Malaysian palm oil production is dipping more steeply than expected. The Peninsular states yielded only 184,000 tonnes in February and the all-Malay figure is unlikely to exceed 210,000 tonnes against earlier forecasts of 250,000.

Dealers said yields may have been reduced by wintering conditions but several believe the downturn was exaggerated by labour shortages, the result of Chinese New Year celebrations during a short month. Most expected output to rally to between 240,000 and 250,000 tonnes in March.

Pakistan has been granted $45m (£40m) by the Islamic Development Bank to buy palm oil from Malaysia or Indonesia.

Weaker dollar sparks surge in gold market

BY JOHN EDWARDS, COMMODITIES EDITOR

GOLD SURGED ahead yesterday as the dollar weakened. The London gold spot bullion price jumped by $19.25 to $318 an ounce, its biggest single daily increase since October 1982 and its highest level for three months.

Traders said the weaker trend in the dollar sparked off the initial rise, which was accelerated by covering against short sales and further buying interest as important chart points were breached.

The rise in gold triggered sharp price increases too for platinum and silver. The London free market platinum price gained $15 to $270.25 an ounce.

Silver showed just how much the weaker dollar was affecting prices. The London bullion spot price in sterling terms was only 9.25p higher at 530.25p an ounce at the morning fixing, but the dollar equivalent was marked up by 33.20 cents to 604.20 cents an ounce. Values moved further ahead in the afternoon with spot silver closing at 548.5p (623.5 cents).

While precious metals were boosted by the decline in the value of the dollar, base metal prices on the London Metal Exchange came under renewed pressure. In percentage terms zinc was worst hit with the cash price falling by £23.5 to £790 a tonne, after losing £20.5 on Monday.

Cash nickel lost £115 to £4,575 a tonne and cash aluminium £17.5 to £964.5 a tonne. The fall in copper was more modest. Higher grade cash closed £9 down at £1,229 a tonne although the market lost further ground in late dealings.

While London copper was falling, U.S. producers lifted their domestic selling prices, with Asarco announcing two increases (of 0.5 cents each) yesterday.

Nancy Dunne in Washington writes: Congressmen from copper-producing states are again trying to prod the Administration into negotiating production restraint agreements with Chile, Zambia, Zaire and Peru.

Senator Pete Domenici, a New Mexico Republican, and representative Morris Udall, an Arizona Democrat, have introduced legislation in both houses called the National Copper Policy Act of 1985 which would require the President to seek "voluntary" production limits. It gives him six months to obtain a pact before imposing an additional tariff of 15 cents per pound on copper imports for up to five years.

Talks begin in London on future of wheat agreement

BY JOHN EDWARDS, COMMODITIES EDITOR

TALKS on the future of the International Wheat Agreement begin in London today and are due to last until Friday. The existing agreement is due to expire in June 1986.

The plan is for a discussion among members representing importing and exporting countries to decide on the shape of the new pact. "All the options are open; everything is on the table" commented an official for the International Wheat Council secretariat.

It is understood that some countries would like a more ambitious agreement including "economic provisions"—measures to control wheat prices and supplies—to replace the existing pact, which basically acts as a centre for gathering and disseminating market information and trends.

However, this is considered very unlikely to happen. The U.S., the leading grain exporter, is strongly oopposed to artificial market restraints of the kind imposed by a classical commodity agreement, especially as the U.S. Administration is basing its new farm policy on the concept of free market forces.

The last international grains agreement that sought to control prices collapsed in the late 1960s. A further attempt to introduce price and supply control provisions into the existing wheat agreement was made in 1979 but failed.

Since then the tide has moved against commodity pacts generally and world trade in wheat has become more difficult to control in highly competitive conditions.

One possibility is that the existing wheat agreement may be broadened to include other grains, since the secretariat's market reports already cover trends and developments in coarse grains, which have overlapping uses with wheat.

Argentine grain exports hit

By Nancy Dunne in Washington

AN EXPLOSION at a big wheat export facility at the port of Bahia Blanca on March 13 has substantially affected Argentina's export capacity, according to U.S. Wheat Associates.

It is the only Argentinian port which can accommodate large deep draft vessels, and is the primary export point for Argentine sorghum and hard red wheat, accounting for 39 per cent of total wheat shipments.

Grain-loading capacity at Bahia Blanca was rated at just over 30,000 tonnes a day, and the Soviet Union has been urging improvements.

The explosion, said U.S. Wheat Associates, an independent market analyst, has rendered the deep sea berth unusable and affected silos and unloading facilities. About 52,000 tonnes of wheat were lost in the accident, and import truck discharge facilities were demolished.

Cocoa exporter ordered to repay debt

AN ABIDJAN civil court has ordered Cogexim, one of the Ivory Coast's main cocoa and coffee exporting companies, to repay debts of 7bn CFA francs (£12.3bn) to the country's Agricultural Development Bank (BNDA).

The state-owned BNDA claimed 19bn CFA francs as well as interest of some 10bn on money it said it advanced to Cogexim to enable it to fund purchases of cocoa and coffee in the three seasons from 1980-1983.

An Ivorian auditing firm will have until May 7 to determine whether Cogexim should pay the rest, the court ruled.

● ANTIMONY prices moved up strongly again last week in a continued reaction against the the sharp fall of the last few months. The European free market price was $212.50 higher on the week at $2.925 a tonne. Conditions were quiet on other strategic metal markets.

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,850-3,000.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 5.90-6.10.

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots, 0.81-0.88, sticks, 0.85-0.94.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.30-11.45.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 290-300.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 4.35-4.50.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 6.60-7.20.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 74-78.

VANADIUM: European free market, min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.38-2.42.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 15.00.

Danes see bright prospects for leaner pigmeat industry

BY HILARY BARNES IN COPENHAGEN

MAJOR CHANGES are on the way in the Danish pigmeat industry. The starting point is an expected increase in the number of pigs produced from just over 14m a year in recent years to about 17.5-18m by 1989.

This in turn will require substantial investment to increase capacity in the slaughterhouses and switch production to more highly processed products with a higher added value.

In the process, the 14 leading co-operative slaughterhouses, which account for almost all slaughtering in Denmark, will be reduced to between five and 10 in order to create financially stronger units.

The industry is more optimistic than for several years.

"We have a promising future, with a high technological standard throughout the whole chain from producer to finished product, said Mr Svend Dyrloev Madsen, managing director of the Danish Association of Slaughterhouses, who after more than 20 years in the industry is becoming managing director of Lauritzen Holding, parent company to the J. Lauritzen shipping and industrial group, in April.

Optimism at producer level has returned as farmers have recovered from a financial crisis in 1979-81, which caused more closures than the depression of the 1930s, and which was followed by an outbreak of foot and mouth disease which closed the American and Japanese markets to Danish pigmeat in 1982 and 1983.

At the same time, an intensive veterinary campaign has virtually eliminated Aujeszky's disease and has increased use of artificial insemination, which accounts for about 45 per cent of all pigs produced. Steady improvements in sty hygiene and design have brought substantial improvements in productivity.

The producer structure has also become more efficient through concentration. The number of farmers has declined from 78,000 to 52,000 since 1978 and the share of farms sending over 500 pigs a year to the curers has increased over the same period from 30 to 68 per cent. This is expected to continue. By 1989, it is thought that there will be only 37,000 producers left.

The slaughterhouses have drawn up a Kr 2.3bn investment programme for the period 1985-89 to increase capacity and improve technology. About Kr 775m will go to building projects and Kr 1.5bn for machinery and technical installations.

Mr Dyrloev Madsen said: "The purpose of the investments is to keep the Danish industry at the forefront of technological developments. We shall see extensive modernisation and some increase in specialisation."

The investment programme covers the range from research and development projects, through the slaughtering process, cooking and curing, cutting and de-boning, processing, to packaging and marketing.

One of the programme's main aims is to increase the share of the more highly processed products, which typically go straight to the retailer as opposed to bacon sides and other larger cuts which go to wholesalers or processing industries abroad, from about 29 per cent of the total to 35 per cent by 1989.

This will take the tonnage output of these products from 289,000 in 1983 to about 400,000 in 1989 and will require a 40 per cent increase in slaughterhouse capacity for them.

The programme will involve the introduction of robots for some of the simpler tasks, but will not mean any reduction in the labour force. "We shall need about another 2,000 people for de-boning and de-fatting. The Danish cuts are tailor made and it is a craft which is just as skilled as cabinet making," said Mr Madsen.

An important innovation will be a Kr 200m grading system for measuring meat-to-fat ratios.

The grading centres, which will be in operation by 1988, will measure the meat ratio at 76 points on the pig compared with three points under the present system.

"The system will pay for itself very quickly by optimising the use of the raw material," said Mr Dyrloev Madsen.

Another important development will be a switch from cold to hot de-boning. This means that the carcass is not refrigerated beforehand.

The process reduces the need for refrigeration capacity and speeds up the process from slaughtering to the finished product.

In order to maximise the advantages, it is planned to use plant capacity for 12 hours a day instead of the normal eight. The trade unions have agreed to the change, which involves the introduction of shift working, and will come into effect as machinery and equipment are installed in the various plants.

There will not be any basic changes in marketing strategy. The UK, which last year took 304,700 tonnes out of a total export of 540,000 tonnes, will remain a key market. But in both the UK and the Continental and overseas markets a rising proportion of sales will be in the form of convenience foods and cuts prepared for direct sale to the consumer.

Belgian pig cull

THE Belgian Agriculture Ministry has ordered at least 10,000 pigs to be destroyed to combat an outbreak of African Swine Fever.

M. Jef Verhaeren, a ministry official, said the highly contagious disease has been confirmed in at least nine centres in western Belgium.

Two weeks ago, the European Community banned all exports of pigmeat from Belgium. The ban is in effect until at least the end of this week after which it may be lifted for those areas not affected by the disease.

"We will have to destroy at least 10,000 pigs, but possibly more, we are still counting" said M Verhaeren.

"It is believed foul head cheese brought back from Spain by a Belgian living near a pig farm is the cause of the disease here."

M Verhaeren would not give a damage estimate.

LONDON MARKETS

THE CONTINUED strength of sterling against the dollar put coffee under further pressure on the London futures markets yesterday and prices finished sharply lower on the day. But sugar futures, which are traded in dollar terms, moved a little higher, and nearby cocoa values moved upwards reflecting gains in New York.

Coffee values started the day with relatively modest losses against Monday's close and slid further through the morning as the pound strengthened.

Early gains for nearby positions on the cocoa market were trimmed back because of the currency situation but moved up again in late trading to end near the day's highs. Forward positions ended modestly lower.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

METALS	Mar. 19 1985	+ or −	Month ago
Aluminium	£1100		£1100
Free Mkt	$1120/1140	+5	$1080/1090
Copper Cash h Grade	£1229	−9	£1284.5
3 mths	£1245.75	−12.5	£1307.75
Cash Cathode	£1215	−14.5	£1269.75
3 mths	£1236.75	−12.5	£1293
Gold troy oz	$318	+19.25	$298.50
Lead Cash	£301.5	−1.75	£335
3 mths	£313.5	−1.75	£346.75
Nickel	[illegible]		[illegible]
Free Mkt	244/264c		227/257c
Palladium oz	$114.75	+3	$127.50
Platinum oz	$270.25	+15	$272.50
Quicksilver	$285/295		$305/315
Silver troy oz	530.25p	+9.25	609.90p
3 mths	546.60p	+8.35	626.50p
Tin cash	£9990.5	−72.5	£10,182.5
3 mths	£10,000.5	−72.5	£10,202.5
Tungsten	$76.65		$76.57
Wolfram 22.04lb	$76/78		$75/77
Zinc	£790	−23.5	£811
3 mths	£768.5	−17	£790.25
Producers	$890-940		$900

OILS	Mar. 19 1985	+ or −	Month ago
Coconut (Phil)	$880v		$845
Palm Malayan	$585y		$590
SEEDS			
Copra Phil	$535w	−5	$600
Soyabean (U.S.)	$249.75		$345
GRAINS			
Barley Fut. May	£116.60	−0.80	£115.35
Maize	£145.75		£145.75
Wheat Fut. May	£119.15	−0.75	£115.75
No. 2 Hard Wint.	[illegible]		[illegible]
OTHERS			
Cocoa Ft. May	£2317.5	+36.5	£2180.5
Coffee Ft. May	£2333.5	−23	£2271.0
Cotton A Index	66.70c	+0.85	68.45c
Gas Oil April	$226	−1.75	$231.75
Rubber (kilo)	67p		69.5p
Sugar (raw)	$119.5y	+1.5	$114
Wooltops 64s	492p kilo		492p kilo

‡ Unquoted. w April-May. x Apr. y May. v March-April. † Per 76 lb flask. c Cents a pound.

INDICES

FINANCIAL TIMES

Mar. 18	Mar. 15	M'th ago	Year ago
300.54	300.46	298.44	308.00

(Base: July 1 1952 = 100)

REUTERS

Mar. 19	Mar. 18	M'th ago	Year ago
1998.4	2013.0	2014.8	1991.6

(Base: September 18 1931 = 100)

MOODY'S

Mar. 18	Mar. 15	M'th ago	Year ago
947.3	949.5	[illegible]	[illegible]

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Mar. 18	Mar. 15	Month ago	Year ago
Spot	117.01	117.02	[illegible]	[illegible]
Fut.	121.16	120.16	[illegible]	[illegible]

(Base: December 31 1974 = 100)

OIL

Lack of buyers eroded much of Monday's gain in Brent. Arab Gulf crudes were slightly weaker. Nymex opened 23c down, made a partial recovery in early trading but lost it by midday. In the petroleum products market, gas oil quotes fell by around $2 for both March and April led by weak futures, which approved the continued uncertainty of end-user demand. Heavy fuel weakened further as the only end-user demand in Europe was covered at about $5 below Monday's prices. Gasoline continued to firm based on U.S. demand—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—April		
Arab Light	27.70-27.80	
Arab Heavy	26.60-26.65	−0.025
Dubai	27.10-27.20	−0.025
Brent Blend	27.95-28.00	−0.075
W.T.I. (1 pm est)	28.20-28.30	
Forcados (Nigeria)	28.00-28.20	
Urals (cif NWE)	[illegible]	
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	253-257	+2
Gas Oil	235-237	−1.5
Heavy fuel oil	157-158	−2.5

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's close	+ or −	Business Done
	$ U.S. per tonne		
March	225.25	−1.50	227.50-24.50
April	226.00	−1.75	228.25-25.50
May	225.50	−1.50	227.25-24.50
June	222.50	−0.75	225.00-21.75
July	222.25	−0.75	223.00-21.75
Aug	223.00	−0.50	224.75-23.00
Sept	226.25	−1.25	226.75-26.00

Turnover: 1,957 (1,583) lots of 100 tonnes.

COPPER

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −
High Grde	£	£	£	£
Cash	1219-20	−31	1228.5-9.5	−9
3 months	1240.5-1	−31	1245.5-6	−12.5
Settlem't	1220	−31		
Cathodes				
Cash	1206-7	−28.5	1206-7	−14.5
3 months	1243.5	−29.5	1235-5	−8
Settlem't	1207	−28		

Amalgamated Metal Trading reported that in the morning three months higher grade traded at £1,241, 40.5, 40, 39, 38.5, 39, 39.5, 41, 40, 41, 40.5, 40.5. Kerb: Higher Grade: Three months £1,240, 41, 42. Afternoon: Higher Grade: Three months £1,251, 52, 52.5, 52, 53, 53.5, 51, 50. Kerb: Higher Grade: Three months £1,248, 47, 46, 45, 44, 43, 42, 43. Turnover: 18,425 tonnes. U.S. Producers: 65.625-67.50 cents a pound.

TIN

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −
High Grde	£	£	£	£
Cash	9990-5	−102.5	9990-1	−72
3 months	9995-6	−90	10010-25	−80
Settlem't	9995	−100		
Standard				
Cash	9990-5	−102.5	9990-1	−72
3 months	9995-6	−87.5	10000-5	−70
Settlem't	9995	−100		
Straits. E	$29.15	−0.09		

Tin—Morning: Standard: Cash £995, three months £9,970, 80, 90, 91, 95, 80, 95. Kerb: Three months £9,990, 95. Afternoon: Standard: Cash £9,990, 91, three months £10,010, 15, 10,000, 9,995, 80, 95, 10,000. Turnover: 734 tonnes.

LEAD

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	301-.5	−5	303-4	−1.75
3 months	310.5-1	−4.75	313.5-5	−1.75
Settlem't	301.5	−5.5		

Lead—Morning: Three months £306, 9, 10, 9.5, 9, 10, 10.5. Afternoon: Three months £311, 11.5, 12.5, 13, 12.5. Kerb: Three months £312. Turnover: 7,425 tonnes. U.S. Spot: 17-22 cents a pound.

ZINC

ZINC	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	785-7	−21.5	789-91	−23.5
3 months	768.5-9	−20	768-9	−17
Settlem't	787	−25		

Zinc—High Grade Official/Unofficial prices: Cash am £792-£792.5, pm £798-£803. Three months am £792.5-£793, am £798-£800. Settlement £792.5. Morning: Three months £763, 64, 63.5, 63, 62, 62.5. High Grade: Cash £792. Kerb: Three months £763, 62, 63, 64. Afternoon: Three months £769, 67, 68, 68.5, 68, 69, 70, 69. Kerb: Three months £767, 67.5, 67, 66, 65. Turnover: 12,125 tonnes. U.S. Prime Western: 45-45.75 cents a pound.

ALUMINIUM

Alumin'm	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Spot	966-7	−20.5	964-5	−17.5
3 months	988-.5	−20	996-7	−15.5

Aluminium—Morning: Cash £966, 66.5, three months £994, 93, 93.5, 87, 88, 88.5, 89, 88.5. Kerb: Three months £991, 91.5, 92, 93. Afternoon: Three months £1,002, 1, 998, 98.5, 97, 96.5. Kerb: Three months £998.5, 96. Turnover: 13,700 tonnes.

GOLD

Gold rose $19¼ an ounce from Monday's close in the London bullion market yesterday to finish at $317¾-$318¼. The metal opened at $302¾-$303¼ and after touching a low of $302¼-$302¾, rose strongly to touch a best level of $319-$320. The dollar's weaker trend sparked off renewed interest in gold and this in turn prompted short covering and further buying as chart points were breached.

GOLD BULLION (fine ounce) Mar. 19

Close	$317¾-318¼	(£279¼-280)
Opening	$302¾-303¼	(£272¼-272¾)
M'n'g fix	$307.25	(£270.634)
Aft'n'n fix	$316.75	(£278.539)

GOLD AND PLATINUM COINS

Kr'g'rnd	$326¼-327	(£287¼-287¾)
½ Krug.	$168-169	(£147¾-148¾)
¼ Krug.	$86½-88½	(£75¾-76¾)
1/10 Krug.	$34¾-35¾	(£30¼-31¼)
Mapleleaf	$326½-327	(£287¼-287¾)
New Sov.	$74¾-75½	(£65¾-66½)
½ New Sov.	$45-46	(£39½-40½)
Old Sov.	$75-76½	(£66-67½)
$20 Eagle	$470-500	(£414-440)
Noble Plat	$278-281¼	(£244½-247½)

SILVER

Silver was fixed 9.25p an ounce higher for spot delivery in the London bullion market yesterday at 530.25p. U.S. cent equivalents of the fixing levels were: spot 604.20c, up 33.2c; three-month 616.65c, up 32.8c; six-month 633.65c, up 35.15c; and 12-month 666.55c, up 35.25c. The metal opened at 534½-537½p (605-609c) and closed at 547-550p (622-625c).

SILVER per troy oz	Bullion fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	530.25p	+9.25	547.5p	+21
3 months	546.60p	+8.65	565.5p	+21
6 months	561.05p	+9.15		
12 months	590.65p	+7.95		

LME—Turnover: 63 (195) lots of 10,000 oz.

Morning: 1st ring three months 550, 2nd ring three months 551, 52, 53.5, 53, 52, 51, 52. Kerb: Three months 552, 51. Unchanged. Afternoon: 1st ring three months 564, 63, 2nd ring three months 562, 63. Kerb: three months 564, 65.

NICKEL

NICKEL	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Spot	4543-7	−167.5	4570-80	−115
3 months	4567-9	−164.5	4595-7	−118.5

Nickel—Morning: Cash £4,545, three months £4,580, 75, 70, 65, 70, 69. Kerb: Three months £4,570, 75, 80, 85. Afternoon: Three months £4,600, 4,595. Kerb: Three months £4,595. Turnover: 1,356 tonnes.

COCOA

Futures traded steadily during an active day and physicals attracted interest with both producers and consumers participating for beans and products, reports Gill and Duffus.

Sales: 7,626 (3,224) lots of 10 tonnes.

COCOA	Yesterday's Close	+ or −	Business Done
	£ per tonne		
March	2089	+9.0	2101-2081
May	2117	+10.0	2125-2101
July	2098	+8.0	2105-2083
Sept	2058	+14.0	2064-2029
Dec	1991	−20.0	1995-1963
March	1943	−21.0	1950-1920
May	1935	−25.0	1950-1930

ICCO indicator prices (U.S. cents per pound) for March 19: 104.14 (99.75); five-day average for March 20: 99.48 (98.20).

COCOA (FFr per 100 kg): March 2344-2390, May 2335-2370, July 2357 bid, Sept 2380-2395, Dec 2181-2200, March 2170 bid, May 2185 bid.

COFFEE

The strength of sterling prompted a weaker opening, reports Drexel Burnham Lambert. Prices were on the defensive throughout an active morning as dealer selling prompted general stop-loss liquidation. Although New York was again steady and sterling's advance was halted in the afternoon approaches continued to fill on commission house and chartist selling.

COFFEE	Yesterday's Close	+ or −	Business Done
	£ per tonne		
March	2290-95		2345-2285
May	2332-34	−33.0	2395-2325
July	2328-30	−37.0	2390-2325
Sept	2353-55	−36.0	2410-2345
Nov	2390-95	−35.0	2435-2385
Jan	2400-02	−35.0	2450-2395
March	2360-65	−35.0	2400-2360
May	2380-60	−31.5	2395-2360

Sales: 6,192 (2,014) lots of 5 tonnes. ICO indicator prices (U.S. cents per pound) for March 18: Comp. daily 1979 132.34 (131.51): 15-day average 131.29 (131.19).

GRAINS

Old crops continued to fall on profit-taking and slightly weaker physical trade. New crops traded in arrears in quiet trade with values remaining in a narrow range, reports Muirpace.

WHEAT			BARLEY	
Mnth	Yesterd'ys close	+ or −	Yesterday's close	+ or −
Mar	116.60	−0.60	114.35	−0.15
May	119.15	−0.75	116.65	−0.60
July	122.75	−1.25		
Sept	98.55	−0.15	99.55	−0.05
Nov	101.45	−0.10	102.10	−0.10
Jan	105.25	−0.15	105.60	−0.10

Business done—Wheat: March untraded, May 119.60-9.15, July 122.60-75, Sept 98.35-8.30, Nov 101.45-1.40, Jan 105.55-5.20. Sales: 223 lots of 100 tonnes. Barley: March 114.45-.35, May 116.85-6.65, Sept 99.60-9.55, Nov and Jan untraded. Sales: 52 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1, 15 per cent, March 175, April/May 160.75, June 160.50, July 161 transhipment East Coast. English feed fob April 121-122, April/June 123 sellers. Maize: U.S. No. 3 Yellow/French transhipment East Coast March 151. Barley: English feed fob Sept 99 East Coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 113.90, S. West 115.10, W. Mids. 112.80, N. West 112.90. The UK monetary coefficient for the week beginning Monday, March 25 (based on HGCA calculations using five days' exchange rates), is expected to change to 1.010.

PIGMEAT

Prices opened slightly higher but fell back towards the close on light profit-taking and fresh hedge selling, reports CCST Commodities.

Month	Yesterday's close	Previous close	Business Done
	p. per kilo (deadweight)		
April	110.10	110.10	110.60-110.10
June	109.90	109.90	110.30-109.80
Aug.	109.90	109.90	109.90-109.80
Sept.	109.90	109.90	[illegible]
Nov.	110.10	110.10	[illegible]
Jan.	100.00	100.30	99.70-99.60

Sales: 50 (49) lots of 50 carcases, 3,250 kg.

POTATOES

With the Dutch market easing back, all buying interest in London evaporated. Both old crop positions opened down and drifted lower, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
April	45.20	46.10	45.50-45.10
May	48.80	49.50	49.40-48.30
Nov	78.30	78.50	[illegible]
Feb	91.20	91.90	[illegible]
April	92.60	93.00	92.90-92.50

Sales: 128 (165) lots of 40 tonnes.

PARIS

SUGAR—(FFr per tonne): May 1334-1335, Aug 1400-1404, Oct 1440-1450, Dec 1505-1520, March 1605-1615, May 1650-1680.

RUBBER

PHYSICALS—The London market opened slightly easier, attracted little interest throughout the day, and closed uncertain, reports Lewis and Peat. Closing prices (buyers): spot 67.00p (69.25p); April 72.25p (73.25p); May 73.00p (73.75p). The Kuala Lumpur fob price for April RSS No. 1 was 189.0 (189.5) cents a kg and for SMR was 189.5 (188.5).

SOYABEAN MEAL

The market opened unchanged, reports T. G. Roddick. Heavy commission house and chartist selling put pressure on prices amidst active trading.

	Yesterday close	+ or −	Business Done
	£ per tonne		
April	148.5-148.8	+1.75	148.8-147.8
June	139.1-139.4	−0.20	139.5-138.5
August	138.1-138.2	−0.95	138.5-137.5
October	135.2-135.4	−0.80	135.5-134.8
Dec	140.5-140.8	−0.65	140.8-140.5
Feb	150.5-150.5	−0.65	[illegible]
April	155.0-155.5	−0.45	[illegible]

Sales: 544 (286) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $110.50 (£97.50), up $1.50 (down £2.50) a tonne for March-April-May delivery. White sugar $132.00, up $2.00.

Prices rallied $2 following the weakness of the dollar. New York failed to hold up and the market eased but made a late recovery, reports C. Czarnikow.

No. 6 Con-tract	Yest'day's close	Previous close	Business done
	$ per tonne		
May	119.4-119.8	117.8-117.8	118.8-118.2
Aug	126.8-126.8	122.8-123.0	126.8-123.0
Oct	135.4-135.4	133.6-133.8	136.0-132.0
Dec	139.4-141.0	138.8-140.0	[illegible]
Mar	146.4-146.6	144.8-145.0	146.8-144.0
May	150.6-150.8	149.0-149.2	150.8-149.0
Aug	156.0-156.6	154.6-155.8	156.6-155.0

Sales: 2,262 (966) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £210.00 (£207.50) a tonne for export. International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for March 18: Daily price 3.71 (same): 15-day average 3.86 (3.84).

U.S. MARKETS

PRECIOUS METALS opened firm and advanced the full permissible limit on heavy short-covering and technical buying, reports Heinold Commodities. Copper traded sharply higher on short-covering and heavy arbitrage buying. Heating oil declined sharply despite a weaker dollar as traders took profits following recent advances. Sugar found support on foreign currency strength and finished strong as sellers withdrew from the market. Coffee was mixed as concern about deliverable supplies in the spot month abated; forward months found support on arbitrage buying interest. Cotton rose sharply as a result of decertification of stocks for delivery. Cocoa firmed as tightness in deliverable stocks appeared to intensify further and Bahian arrivals remained low. Soyabeans moved sharply higher late in the day.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
March	48.60			48.60
April	48.65	49.50	49.50	49.00
May	49.50	49.80	49.80	49.10
July	50.30	50.80	50.00	49.90
Sept	51.00			50.65
Dec	52.00			52.00
Jan	52.45			52.15
March	53.25			52.75
May	54.25			53.40
July	55.05			54.40
Sept	56.00			55.30

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
May	2237	2255	2210	2223
July	2209	2229	2180	2189
Sept	2182	2182	2122	2158
Dec	2140	2125	2075	2100
March	2123			2087
May	2123			2087
July	2123			2087

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
March	143.58	143.90	142.00	143.03
May	142.71	142.90	141.75	142.33
July	142.75	143.00	141.30	142.13
Sept	142.34	142.50	141.00	141.52
Dec	141.31	141.60	140.10	140.86
March	141.00	141.10	139.60	140.05
May	140.50	140.50	140.50	140.00
July	140.00	141.10	139.60	138.25

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
March	61.90	62.05	61.30	60.65
April	62.15			60.90
May	62.40	62.70	61.50	61.20
July	63.20	63.30	62.00	61.95
Sept	63.95	63.95	62.70	62.70
Dec	64.95	64.95	63.90	63.80
Jan	65.35	65.15	64.75	64.15
March	66.00	66.00	64.80	64.85
May	66.45	66.45	65.60	65.50
July	67.15	67.20	66.20	66.00
Sept	67.80	67.40	66.60	66.60

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
May	67.64	67.95	66.55	66.65
July	68.45	68.70	67.60	67.44
Oct	66.55	66.70	65.65	65.10
Dec	65.85	66.00	65.00	64.65
March	66.58	66.65	66.55	65.35
May	67.50	67.50	66.00	66.77
July	67.60	67.75	67.60	66.37

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
April	28.76	28.98	28.55	28.95
May	28.20	28.45	28.07	28.27
June	27.80	27.97	27.60	27.87
July	27.45	27.50	27.30	27.50
August	27.21	27.22	27.05	27.20
Sept	27.12	27.12	26.95	27.10
Oct	27.07			27.06
Nov	26.96	27.00	26.95	27.00
Dec	27.00	27.00	27.00	27.00

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
April	78.05	78.10	76.20	76.03
May	75.25	75.30	73.90	75.98
June	73.10	73.30	72.30	73.50
July	72.30	72.30	71.60	72.55
Aug	72.35	72.35	71.70	72.58
Sept	72.85	72.75	72.30	72.60

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
March	339.5	341.0	326.0	303.3
April	321.2	326.0	309.0	302.7
May	322.7	323.0	321.0	306.0
June	331.2	332.2	316.5	308.2
Aug	336.3	330.5	320.5	313.3
Oct	340.2	340.2	325.0	317.0
Dec	347.5	347.0	331.5	323.0
Feb	354.3	354.3	346.0	329.3
April	360.1	360.1	346.5	335.1
June	366.2	367.0	360.0	341.2
August	372.8	366.0	363.0	347.8
Oct	378.4	378.4	360.0	353.4
Dec	385.0	372.0	370.0	361.0

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
March	164.30	165.20	164.20	165.20
May	165.70	166.00	165.00	166.10
July	162.95	163.00	162.95	163.55
Sept	164.05			164.65
Nov	162.95	163.00	162.95	163.55
Jan	164.05			164.65
March	164.05			164.65
May	164.05			164.10
July	164.05			164.10

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
March	278.2	280.5	278.0	267.2
April	282.2	285.5	268.5	267.7
July	286.2	289.5	272.0	271.7
Oct	290.2	292.0	276.0	274.5
Jan	294.2	298.0	280.0	279.2
April	301.5	305.0	[illegible]	283.5

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
March	648.0	649.0	613.0	597.0
April	648.5			597.5
May	652.5	655.0	613.0	602.5
July	662.5	665.0	623.0	612.5
Sept	672.5	673.0	633.0	622.5
Dec	685.3	685.0	650.0	635.3
Jan	690.0			640.0
March	707.3	705.0	670.0	657.3
May	716.7	700.0	690.0	666.7
July	728.7	710.0	695.0	683.8

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
May	4.07	4.10	3.95	3.94
July	4.24	4.29	4.15	4.09
Sept	4.48	4.52	4.37	4.33
Oct	4.57	4.65	4.51	4.41
Jan	5.05	5.04	4.94	4.90
March	5.50	5.54	5.41	5.37
May	5.72	5.75	5.67	5.60
July	5.85	5.87	5.81	5.77

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
April	62.30	62.72	61.82	61.77
June	65.40	66.87	65.35	65.37
August	63.87	64.07	63.25	63.20
Oct	63.32	63.45	62.80	62.80
Dec	64.62	64.85	64.10	64.10
Feb	65.10	65.10	64.65	64.55
April	66.10	66.10	65.65	65.10

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
April	45.87	45.95	45.20	45.05
June	50.35	50.45	49.45	49.65
July	52.07	52.10	51.55	51.65
Aug	50.95	50.45	49.95	50.05
Oct	47.65	47.75	47.25	47.22
Dec	48.35	48.60	48.15	48.05
Feb	48.95	49.00	48.40	48.77
April	48.00	46.65	46.00	45.75
June	47.95	47.97	47.60	47.77

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
March	276.4	276.4	270.6	274.6
May	278.4	279.0	274.4	274.4
July	276.2	278.4	274.2	274.2
Sept	272.0	272.0	270.2	270.0
Dec	268.2	268.2	266.4	266.6
March	275.6	276.0	274.6	274.4
May	280.6	281.0	277.2	278.6

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
March	73.77	73.90	72.80	72.77
May	74.80	74.90	73.50	73.57
July	71.17	71.30	70.40	70.20
August	70.90	71.10	70.05	70.05
Feb	70.40	71.70	71.00	70.25
May	70.70	70.70	70.05	70.70
July	71.20	71.50	71.20	70.52

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
March	604.0	604.0	594.5	591.0
May	614.6	615.0	601.2	600.6
July	620.0	621.0	609.0	607.6
August	620.0	620.0	612.0	609.2
Sept	617.0	617.0	613.0	605.2
Nov	615.0	620.0	610.0	606.0
Jan	629.4	629.4	619.0	616.4
March	638.4	641.0	628.4	627.4
May	647.4			636.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
March	134.8	135.0	133.5	134.8
May	139.2	139.2	136.4	137.5
July	143.2	143.4	141.5	141.7
Aug	145.4	145.4	143.8	143.5
Sept	147.1	147.2	145.0	145.0
Oct	150.0	150.0	148.0	148.3
Dec	157.2	158.0	154.5	155.0
Jan	158.8	159.0	155.0	157.0
March	162.5			160.8

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
March	30.00	30.20	29.57	31.12
May	29.28	29.40	28.55	28.63
July	28.55	28.75	27.93	27.93
August	27.90	28.04	27.40	27.65
Sept	27.05	27.25	26.65	26.90
Oct	26.15	26.20	25.90	25.88
Dec	25.60	25.80	25.25	25.18
Jan	24.95	25.05	24.65	24.75
March	24.80	24.80	24.76	24.63

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
March	364.0	364.0	359.4	357.6
May	348.6	349.4	344.6	344.6
July	330.0	330.6	325.6	325.6
Sept	333.4	333.4	328.6	328.6
Dec	343.2	343.2	340.0	339.4
March	344.0	344.0	340.0	340.0

SPOT PRICES—Chicago loose lard 26.00 (same) cents per pound. New York tin 526.0-48.0 (510.0-35.0) cents per pound. Handy and Harman silver bullion 621.0 (587.0) cents per troy ounce.

OTHER MARKETS

MEAT

SMITHFIELD—Pence per pound. Beef—Scotch killed sides 76.0 to 82.0; English hindquarters 83.0 to 86.0, forequarters 51.0 to 56.0; Ulster hindquarters 81.5 to 87.0, forequarters 48.5 to 55.0. Veal—Dutch hinds and ends 124.0 to 127.0. Lamb—English small 82.0 to 90.0, medium 82.0 to 88.0, heavy 78.0 to 84.0; Scotch heavy 77.0 to 83.0. Imported: New Zealand PL (new season) 67.5 to 68.5, PX (new season) 66.0 to 67.0. Pork—English under 100lb 50.0 to 59.0, 100-120lb 52.0 to 55.0, 120-160lb 41.0 to 49.0.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle, 94.10p per kg lw (−0.28). GB—Sheep, 209.57p per kg est dcw (+14.74). GB—Pigs, 78.75p per kg lw (−0.18).

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. March 630.0, 600.0, nil; May 626.0, 629.0, 627.5; July 625.0, 627.0, 627.5; Oct 601.0, 605.0, nil; Dec 610.0, 611.0, 610.0; March 618.0, 619.0, 618.5; May 622.0, 623.0, nil; July 621.0, 640.0, nil. Sales: 14.

LONDON NEW ZEALAND CROSSBREDS—Close (in order, buyer, seller, business). New Zealand cents per kg. March 470, 505, 475; May 500, 502, 504-500; Aug 528, 527, 529-528; Oct 528, 529, 531-528; Dec 530, 533, 533-531; Jan 532, 534, 535-533; March 544, 545, 545-544; May 549, 550, 551-549; Aug 562, 563, 564-563. Sales: 176.

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. No. 2 Soft Red Winter April 164, May 161, July 147. U.S. No. 2 Northern Spring, 14 per cent protein, March 184, April 176, May 169, June 166, July 167, Aug 166.25, Sept 166.25. U.S. Northern Spring 178, Sept 178, U.S. No. 3 Hard Amber Durum April/May 178, June 177, July 178, Aug 178, Sept 178. Canadian No. 1 Western Amber Durum April/May 187, May/June 187, Nov 186.

MAIZE—(U.S. $ per tonne): U.S. No. 3 Yellow afloat 138.50, April 138, May 133.50, June 133.50, July 133.50, July/Sept 133.50, Oct/Dec 128 sellers. Argentine Plate afloat 140, March 132, April 131, May/June 129.50 sellers.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar weaker, pound firm

The dollar fell sharply in currency markets yesterday. Fears that the continued banking difficulties in Ohio would inhibit the Federal authorities' ability to tighten their monetary stance and so allow interest rates to stabilise or fall, prompted dollar sales. The pace at which the market unwound positions was accelerated by disappointing housing starts figures. Although subject to seasonal fluctuations and therefore not the best guide to the state of the economy, the fall in housing starts proved to be psychologically damaging.

Consequently the dollar fell to its lowest level for a month against the D-mark to finish at DM 3.2740 down from DM 3.3400 on Monday. It was also weaker against the yen at Y255.95 from Y259.85 and SwFr 2.7850 compared with SwFr 2.8400. Against the French franc it fell to FFr 10.0150 from FFr 10.1950. On Bank of England figures, the dollar's index fell to 151.7 from 153.9.

STERLING — Trading range against the dollar in 1984-85 is 1.4940 to 1.0525. February average 1.0933. Exchange rate index 74.0, down from a high of 74.6 but up from Monday's closing level of 73.0. The six months ago figure was 78.9.

Sterling rose to its best level for three-months, helped by the dollar's weakness and confidence in the UK Budget heralding a further tight restraint on public spending and inflation. Much of the Budget speech was still being digested as trading came to a close and the pound finished below the day's highs but still well up from Monday.

Against the dollar it rose to $1.1365, a rise of 3 cents from Monday, having touched a best level of $1.445.

In terms of the D-mark it finished at a four-month closing high of DM 3.7300, up from DM 3.6950 previously. Elsewhere it rose to SwFr 3.1575 from SwFr 3.1450 and Y291.50 compared with Y287.50.

Sterling was also underpinned by the relatively high level of UK interest rates and although these showed a significant reduction yesterday, there was still uncertainty as to how long it would be before a reduction in UK clearing bank base rates from the current level of 14 per cent.

D-MARK — Trading range against the dollar in 1984-85 is 3.4510 to 2.5535. February average 3.3008. Exchange rate index 119.4 against 120.3 six months ago.

The dollar finished just above the day's lows in Frankfurt yesterday but was still sharply down from Monday's closing level. Further uncertainty surrounding banking problems in Ohio was the principal factor behind the dollar's decline. It closed at DM 3.2730, down from DM 3.35675, having touched a low of DM 3.2625. There was no intervention by the Bundesbank either at the fixing or in open trading.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	44.8257	−0.17	+0.07	±1.5622
Danish Krone ...	8.14104	7.97450	−2.05	−1.81	±1.6419
German D-Mark	2.24184	2.23007	−0.53	−0.28	±1.1475
French Franc ...	6.87456	6.81868	−0.81	−0.57	±1.3689
Dutch Guilder...	2.52595	2.51962	−0.25	−0.01	±1.5171
Irish Punt	0.72569	0.715843	−1.36	−1.12	±1.6703
Italian Lira	1403.49	1412.40	+0.63	+0.63	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING EXCHANGE RATE INDEX (Bank of England)

	March 19	Previous
8.30 am	73.2	72.1
9.00 am	73.1	72.1
10.00 am	73.4	72.2
11.00 am	74.0	72.4
Noon	74.4	72.5
1.00 pm	74.6	72.6
2.00 pm	74.1	72.5
3.00 pm	74.2	72.6
4.00 pm	74.0	73.0

£ in New York

	March 19	prev. close
£ Spot	$1.1410-1.1425	$1.1150-1.1165
1 month	0.440.41pm	0.49-0.47pm
3 months	1.00-0.95pm	1.0.51.00pm
12 months	1.00-0.85pm	1.15-1.00pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

March 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.1090-1.14455	1.1360-1.1370	0.47-0.44c pm	4.80	1.00-0.95 pm	3.43
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Six-month forward dollar 1.15-1.10c pm. 12-month 0.85-0.70c pm. Belgian rate is for convertible francs. Financial franc 75.25-75.35.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

March 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.1090-1.1445	1.1360-1.1370	0.47-0.44c pm	4.80	1.00-0.95pm	3.43
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 66.20-66.30.

OTHER CURRENCIES

Mar. 19	£	$		£ Note Rates
Argentina Peso	[illegible]	[illegible]	Austria	25.90-26.20
Australia Dollar	[illegible]	[illegible]	Belgium	74.80-75.60
Brazil Cruzeiro	[illegible]	[illegible]	Denmark	[illegible]
Finland Markka	[illegible]	[illegible]	France	[illegible]
Greek Drachma	[illegible]	[illegible]	Germany	[illegible]
HongKong Dollar	[illegible]	[illegible]	Italy	[illegible]
Iran Rial	[illegible]	[illegible]	Japan	[illegible]
KuwaitDinar(KD)	[illegible]	[illegible]	Netherlands	[illegible]
Luxembourg Fr	[illegible]	[illegible]	Norway	[illegible]
Malaysia Dollar	[illegible]	[illegible]	Portugal	[illegible]
New Zealand Dlr.	[illegible]	[illegible]	Spain	[illegible]
Saudi Arab. Riyal	[illegible]	[illegible]	Sweden	[illegible]
Singapore Dollar	[illegible]	[illegible]	Switzerland	[illegible]
Sth African Rand	[illegible]	[illegible]	United States	[illegible]
U.A.E. Dirham	[illegible]	[illegible]	Yugoslavia	[illegible]

* Selling rate.

CURRENCY MOVEMENTS

Mar. 19	Bank of England Index	Morgan Guaranty Change %
Sterling	74.0	−15.5
U.S. dollar	151.7	[illegible]
Canadian dollar	[illegible]	[illegible]
Austrian schilling	[illegible]	[illegible]
Belgian franc	[illegible]	[illegible]
Danish Kroner	[illegible]	[illegible]
Deutsche mark	119.4	[illegible]
Swiss franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Mar. 19	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	[illegible]	[illegible]
U.S. $	8	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch.	[illegible]	[illegible]	[illegible]
Belgian Fr.	[illegible]	[illegible]	[illegible]
Danish Kr.	[illegible]	[illegible]	[illegible]
Dmark	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
French Fr.	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norwgn Kr.	[illegible]	[illegible]	[illegible]
Span'h Pta.	[illegible]	[illegible]	[illegible]
Swedish Kr.	[illegible]	[illegible]	[illegible]
Swiss Fr.	[illegible]	[illegible]	[illegible]
Greek Dr'ch	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

* CS/SDR rate for March 18: 1.32083.

EXCHANGE CROSS RATES

Mar. 19	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.137	3.730	291.5	11.38	3.158	4.210	2335.	1.563	74.90
U.S. Dollar	0.880	1.	3.282	256.5	10.01	2.778	3.704	2051.	1.375	65.90
Deutschemark	0.268	0.305	1.	78.15	3.051	0.847	1.129	634.0	0.419	20.08
Japanese Yen 1,000	3.431	3.899	12.80	1000.	39.04	10.83	14.44	8115	5.361	256.9
French Franc 10	0.879	0.999	3.278	256.2	10.	2.775	3.699	2079.	1.373	65.82
Swiss Franc	0.317	0.360	1.181	92.33	3.604	1.	1.333	740.0	0.495	23.72
Dutch Guilder	0.238	0.270	0.886	69.24	2.703	0.750	1.	561.8	0.371	17.79
Italian Lira 1000	0.423	0.481	1.577	123.3	4.812	1.336	1.780	1000.	0.661	31.67
Canadian Dollar	0.640	0.727	2.387	186.5	7.282	2.020	2.694	1513.	1.	47.93
Belgian Franc 100	1.335	1.517	4.980	389.3	15.19	4.216	5.621	3158.	2.086	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Mar. 19	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 day's notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Asian $ (closing rates in Singapore): [illegible] Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Optimism on pound and Budget hopes

Interest rates fell sharply on the London money market yesterday as sterling gained ground against the dollar and other major currencies. There was a general mood of optimism ahead of the Budget, with the market turning its attention to the Chancellor's speech as trading closed for the day.

Three-month interbank touched a low of [illegible] per cent, and closed at [illegible] per cent, compared with 13⅞-13⅞ per cent, while discount houses buying rates for three month bank bills fell to 12⅞ per cent from 13⅛ per cent. These figures indicated growing hopes of a reduction in clearing bank base rates,

UK clearing banks base lending rate 14 per cent since January 28

although dealers were doubtful about any early move, given the continued volatility of sterling.

An early round of assistance was offered by the Bank of England, but no bills were purchased at that time, indicating the present acute shortage of bills in the market, and the reluctance of those holding such paper to part with it on speculation of lower interest rates. Very few bills were purchased outright throughout the day, with most of the help provided through late overnight lending to the discount houses.

The Bank of England forecast a money market shortage of £700m in the morning, but revised this to £800m at noon, and to £850m in the afternoon. Total help of £834m was provided. In the morning the authorities purchased £85m bills for resale to the market on April 3 at 13⅜ per cent. After lunch the Bank of England bought another £169m bills, including £28m bills purchased outright, by way of £24m bank bills in band 1 (up to 14 days maturity) at 13⅜ per cent, and £4m Treasury bills in band 3 (34-63 days) at 13⅜ per cent. Another £116m bills were bought for resale on March 29 at 13⅜ per cent; and £25m for resale on April 3 at 13⅜ per cent.

Late assistance of £580m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills from Friday's tender absorbed £321m; while the unwinding of repurchase agreements drained £463m; and bank balances below target another £110m. These were partly offset by Exchequer transactions adding £325m to liquidity, and a fall in the note circulation of £50m.

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

Mar. 19 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	14-15½	15	15¼-16½	14¼-15	—	—	—	—	—
2 days notice	—	—	14⅝-14¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14¼-14⅞	14⅝-14¾	14⅞-15⅛	13⅞-14	—	—	—	—	—
One month	13⅛-13⅛	13¾-14⅛	13⅝	14⅛	13½	13⅛	13⅝	13⅛-13⅛	13⅛-13⅛	14⅛
Two months	13⅛-13⅛	13⅛-13⅝	13⅝	13¾	13	13⅛	12⅞	13-13⅛	12⅞	13⅛
Three months	13⅛-13⅛	13⅛-13⅛	13	13⅝	12¾	12⅞	12⅝	12¾	12⅛	13⅛
Six months	12½-12⅛	12¼-12½	12⅛	—	—	—	—	11⅞	11¾	12½
Nine months	12⅛-12⅛	12-12⅝	—	—	—	—	—	—	—	—
One year	12¼-12	12 12¼	12	—	—	—	—	—	—	—

MONEY RATES

March 19	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.8-5.9	10¾	1⅞-1⅝	6⅛-6¾	6.40625	15⅝-16	8.20	14½-14¾
One month	6.10-6.25	10⅛-10⅛	5⅝-5¾	7-7⅛	6.53125	15½-15⅞	10⅝-10⅞	14½-14¾
Two months	6.20-6.35	10¾-10⅞	—	—	—	—	—	14½-14¾
Three months	6.30-6.45	10¾-10⅞	5⅛-5⅛	7⅛-7¼	6.34375	15¾-16⅛	10¾-11	14⅜-14⅝
Six months	6.50-6.65	10¾-10⅞	—	7¼-7⅝	—	—	10⅞-11⅛	14¼-14½
Lombard	6.0	—	—	—	—	—	—	—
Intervervention	—	10⅛	—	6⅞	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	14¼-13⅞	—	13¾	8.8-8.9	8⅝-8⅞	10⅛-10⅛
Two months	13¾-13⅝	—	13⅝	9.05-9.15	8⅛-8⅛	10⅛-10⅝
Three months	13⅛-13⅛	—	13¼	9.15-9.25	8⅞ 9⅛	10⅛-10⅝
Six months	13-12⅝	—	12⅛	9.75-9.85	9⅝-9⅞	10⅛-10½
Nine months	12⅝-12¼	—	12⅜	10.25-10.35	—	—
One year	12⅛-12¼	—	12¼	10.7-10.8	9⅛-10⅛	10⅛-10⅛
Two years	—	12⅛	—	—	—	—
Three years	—	11⅞	—	—	—	—
Four years	—	11⅛	—	—	—	—
Five years	—	11⅛	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of Interest period February 6 to March 5 1985 (inclusive): 13.863 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 12½ per cent from March 1 1985. London and Scottish Clearing Bank Rates for lending 14 per cent. London Deposit Rates for sums at seven days' notice 11-11½ per cent. Treasury Bills: Average tender rates of discount 13.1761 per cent. Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 14 per cent; one-three months 13¾ per cent; three-six months 13¼ per cent; six-nine months 12¾ per cent; nine-12 months 12½ per cent. Under £100,000 12 per cent from March 12. Deposits held under Series 5 12½ per cent. The rate for all deposits withdrawn for cash 8 per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9½-9¾
Fed funds	8⅞
Fed funds at intervention	—

Treasury Bills

One month	8.15
Two month	8.55
Three month	8.61
Six months	9.02
One year	9.20

Treasury Bonds

Two year	98⅞
Three year	98⅛
Four year	97⅞
Five year	98⅞
Seven year	98⅛
10 year	95⅞
30 year	94⅞

FT LONDON INTERBANK FIXING

(11.00 a.m. March 19)

Three months U.S. dollars	
bid 9 1/4	offer 9 3/8

Six months U.S. dollars	
bid 9 7/8	offer 10

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

FINANCIAL FUTURES

Gilts quietly firm

Trading was fairly quiet in gilt futures on the London International Financial Futures Exchange ahead of yesterday's Budget speech by the Chancellor. June delivery gilts opened at 105-00 encouraged by the performance of the pound on the foreign exchanges, but dealers suggested that the strength of sterling would have produced more impact on any other day. The contract traded within a narrow range of 104-28 to 105-09 and closed at 105-04 compared with 104-25 previously.

Three months sterling deposits were more active however, responding to the rise in the pound and the fall of the dollar. June delivery opened higher at 86.65, the middle of the day's range, and closed at 86.61, against 86.49 on Monday.

June Eurodollars opened down, following moves in Singapore and Chicago, but this was still the high of the day at 89.36. A larger than expected fall of 11 per cent in February U.S. housing starts was a bullish factor, but failed to inject much life into a dull market, influenced by a lack of retail interest, concern at possible poor reaction to the U.S. Treasury's quarterly refunding programme, and the general economic situation.

Resistance was seen at 89.36 and at the day's low of 89.26, where Chicago turned the market round to close at 89.30, compared with the previous settlement of 89.41.

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
June	89.30	89.36	89.26	89.41
Sept	88.65	88.71	88.61	88.74
Dec	88.27	88.33	88.26	88.33
March	88.00	88.05	88.04	88.05
June	87.79	—	—	87.84

Est Volume 5,510 (4,852)
Previous day's open int. 14,945 (14,799)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

Est. Volume [illegible]
Previous day's open int. [illegible]

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	105-04	105-09	104-28	104-25
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

Est. Volume [illegible]
Previous day's open int. [illegible]
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) [illegible] (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Est. Volume [illegible]
Previous day's open int. [illegible]

DEUTSCHE MARKS
DM 125,000 $ per DM

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Est. Volume [illegible]
Previous day's open int. [illegible]

SWISS FRANCS
SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]

Est. Volume [illegible]
Previous day's open int. [illegible]

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]

Est. Volume [illegible]
Previous day's open int. [illegible]

FT-SE 100 INDEX

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Est. Volume [illegible]
Previous day's open int. [illegible]

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	68-20	—	—	68-25
June	67-19	67-11	67-11	67-28
Sept	—	—	—	67-16

Est. Volume 3,024 (1,525)
Previous day's open int. 2,321 (2,257)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev
March	68-18	68-25	68-09	68-16
June	67-18	67-26	67-09	67-17
Sept	[illegible]	[illegible]	[illegible]	66-23
Dec	[illegible]	[illegible]	[illegible]	66-01
March	[illegible]	[illegible]	[illegible]	65-13
June	[illegible]	[illegible]	[illegible]	64-28
Sept	[illegible]	[illegible]	[illegible]	64-13
Dec	[illegible]	[illegible]	[illegible]	64-01
March	[illegible]	[illegible]	[illegible]	63-22
June	[illegible]	[illegible]	[illegible]	63-12

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	90.69
Sept	[illegible]	[illegible]	[illegible]	90.17
Dec	[illegible]	[illegible]	[illegible]	89.85
March	[illegible]	[illegible]	[illegible]	89.60
June	[illegible]	[illegible]	[illegible]	89.42
Sept	[illegible]	[illegible]	[illegible]	89.27
Dec	[illegible]	[illegible]	[illegible]	89.11
March	[illegible]	[illegible]	[illegible]	91.31

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	90.83
Sept	[illegible]	[illegible]	[illegible]	89.75
Dec	[illegible]	[illegible]	[illegible]	89.11
March	[illegible]	[illegible]	[illegible]	88.70

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	90.62
Sept	[illegible]	[illegible]	[illegible]	89.33
Dec	[illegible]	[illegible]	[illegible]	88.69
March	[illegible]	[illegible]	[illegible]	88.30
June	[illegible]	[illegible]	[illegible]	—
Sept	[illegible]	[illegible]	[illegible]	87.81
Dec	[illegible]	[illegible]	[illegible]	87.61

STERLING (IMM) Se per £

	Latest	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	1.1045
June	[illegible]	[illegible]	[illegible]	1.1055
Sept	[illegible]	[illegible]	[illegible]	1.1035
Dec	[illegible]	[illegible]	[illegible]	1.1040
March	[illegible]	[illegible]	[illegible]	1.0995

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	69-10
June	[illegible]	[illegible]	[illegible]	68-13
Sept	[illegible]	[illegible]	[illegible]	67-19
Dec	[illegible]	[illegible]	[illegible]	66-29
March	[illegible]	[illegible]	[illegible]	—
June	[illegible]	[illegible]	[illegible]	65-24
Sept	[illegible]	[illegible]	[illegible]	65-06

Company Notices

EUROPEAN COAL AND STEEL COMMUNITY C.E.C.A.

Loan of FFr 150,000,000
Bonds 14¼% 1980/1986

The EUROPEAN COAL AND STEEL COMMUNITY will proceed as anticipated with the full redemption of the loan at a price of 100.5% augmented by the accrued interest, in accordance with the conditions of the loan.

Consequently the 30,000 bonds of FFr 5,000.— will be redeemable starting April 22 1985, date at which they will cease to bear interest at FFr 5,062.60 or FFr 5,025 for the principal and FFr 37.60 representing 19 days o accrued interest since April 3, 1985.

The bonds will have to be presented for redemption, coupons of April 3 1986 attached.

Redemption of the bonds will take place at the following Banks:
—Dresdner Bank Aktiengesellschaft, Frankfurt/Main
—Banque Bruxelles Lambert SA, Brussels
—Banque Paribas, Paris
—Credit Lyonnais, Paris
—Societe Generale, Paris
—S. G. Warburg et Co Ltd, London
—Credit Lyonnais, Luxembourg

The Principal Agent
CREDIT LYONNAIS, LUXEMBOURG

CANADIAN PACIFIC LIMITED
(Incorporated in Canada)

NOTICE OF DATE OF ANNUAL MEETING AND RECORD DATE

In connection with the 104th Annual Meeting of Shareholders of Canadian Pacific Limited to be held on Wednesday May 1, 1985, at The Palliser Hotel, 9th Avenue and 1st Street South West, Calgary, Alberta, Canada, at 11.00 a.m., Calgary time, the Board of Directors has fixed the close of business of the registered office on March 20, 1985 as the record date for the purpose of determining shareholders entitled to receive notice of the said meeting.

D. J. DEEGAN
Secretary

March 11 1985

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for March 19.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 12⅝ 88	150	100⅞	101⅜	−0⅛	−0½	12.15
Austria Rep 13⅝ 92	100	105⅜	105⅞	−0⅛	−1	12.37
Bank Of Tokyo 12⅝ 92	100	98⅜	98⅞	−0¼	−0⅞	12.92
Bank of Tokyo 13⅝ 91	100	103¾	104¼	−0⅜	−0⅞	12.63
BP Capital 11⅛ 92	150	93⅜	93⅞	−0¼	−0⅝	12.55
Caisse Nat Tele 13¾ 91	100	104⅛	104⅝	−0¼	−0⅜	12.68
Canadian Pac 12½ 99	75	100⅜	100⅞	−0⅜	−0½	12.38
CBS Inc 11⅜ 92	100	93¾	94¼	−0¼	−0⅜	12.61
Chevron U.S.A. 12¼ 89	600	99½	100	−0¼	−0⅝	12.27
Creditanstalt 13⅛ 91	100	101	101½	−0½	−0⅝	12.79
Denmark Kindom 11½ 92	100	94½	95	0	0	12.67
Denmark Kingdom 13 91	100	101	101½	−0⅜	−0⅝	12.67
Denmark Kingdom 13¼ 91	100	† 100⅝	101⅛	−1⅜	−1¼	13.00

	Issued	Bid	Offer	Change on day	Change on week	Yield
Walt Disney Pro 12½ 87	150	† 100⅞	101⅜	−0½	−0¾	11.98
Weyerhaeuser 12¼ 87	150	100⅛	100⅝	−0⅛	−0⅝	11.98
World Bank 12¼ 94	150	98⅞	99⅜	−0¼	−0⅜	12.38
World Bank 12⅞ 94	200	101¼	101¾	−0½	−0⅞	12.56

Average price change On day −0¼ on week −0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	99⅝	100⅜	+0½	0	7.99
Austria Republic 7⅝ 94	200	98½	99¼	+0⅜	+0¼	7.88
Baxter Travenol 7¼ 94	200	97⅞	98⅝	0	−0¼	7.52
Credit National 8⅛ 94	200	100⅝	101⅜	+0½	+0¼	7.86
Degussa Int Fin 7½ 94	100	99⅝	100⅜	+0¼	+0⅝	7.58
E.E.C. 8 92	200	100¾	101½	+0⅛	−0¼	7.77

OVER-THE-COUNTER

Continued from Page 34

Indices

NEW YORK-DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

RISES AND FALLS

New York Active Stocks

TORONTO

MONTREAL Portfolio

* Indicates pre-close figure

CAPITAL MARKETS

Rank Xerox terms 'too tight' for Eurobond investors

BY MAGGIE URRY IN LONDON

RANK XEROX is the latest borrower to tap the Eurosterling bond market, bravely launching the £40m deal on the morning of the UK budget.

But with the market already having to absorb a number of issues, the Rank deal was moving slowly at a price outside the 1¼ per cent fees. Lead manager is County Bank.

Dealers felt the 11 per cent coupon on the seven-year deal was just too tight. Although the Xerox name was well known among continental European investors, the Rank Xerox company was less so, they said.

There was little activity in the Eurodollar bond market yesterday. No new issues appeared, and prices were marked down by around ¼ point, though business was at a low level once more. With the dollar weakening, investors have stopped buying dollar bonds, although a rush to sell has yet to materialise.

Daiwa Europe set the final terms for Japan Aviation Electronics' $40m convertible issue. The coupon is 3 per cent, as indicated, and the conversion premium 6.83 per cent above the closing share price of Y1,450.

In the Swiss franc bond market, SBC was able to increase the size of its two-tranche issue for the Inter-American Development Bank. The six-year tranche was raised to SwFr 60m from SwFr 50m, while the seven-year portion was up to SwFr 90m from SwFr 75m. Strong demand for the paper, with coupons of 6⅛ and 6¼ per cent respectively, has been seen.

SBC also cut the coupon on its SwFr 100m private placement with equity warrants for Mitsui OSK Lines from the indicated yield of 3½ per cent to 3⅜ per cent.

In the secondary market Swiss franc bonds firmed, with prices up to ¼ point higher, despite news that the new federal bond issue will have a 5 per cent coupon – the highest for some years.

The new Chrysler public issue – with a 6⅛ per cent coupon – began trading yesterday, closing at 100%, compared with the par issue price.

The World Bank's two-tranche D-Mark issue was launched yesterday by Deutsche Bank. The DM 300m public issue has a 10-year life with a 7⅛ per cent coupon and a 99⅞ issue price. The DM 200m private placement will mature in five years and has a 7⅛ per cent coupon. It was priced at 99¾. Both issues met a good initial response.

BHF Bank bond average	
March 19	Previous
100.517	100.223
High 1984/85	Low
103.042	98.056

D-Mark foreign bond prices gained ½ to ¾ point yesterday, helped by the weaker dollar, with some foreign interest being seen. The domestic bond market fared even better, though, adding as much as a point in some issues.

Other currency sectors were also seeing new issue business. Bankers Trust (Australia), which has just won a banking licence, is raising A$40m through a seven-year issue – a long maturity in this market – paying a 13¾ per cent coupon and priced at 100%. The lead manager is Bankers Trust International, and fees total 2¼ per cent.

Another Danish krone Eurobond issue was launched – this time for Swedish Export Credit. The coupon for the DKr 200 deal, led by Morgan Stanley, broke new ground at 11¼ per cent. The previous two issues have both had 12 per cent coupons though the EIB's issue was priced at 99. The bonds mature on November 15 1990. The deal was trading comfortably within its 1⅞ per cent gross fees.

Ireland is expected soon in the European Currency Unit (Ecu) market with a floating-rate note to raise Ecu 100m to Ecu 150m.

A Canadian dollar issue for Canadian National Railways was launched late in the day by Salomon Brothers. The C$100m deal has a 10-year life and a 12⅛ per cent coupon. With a 99½ issue price, the issue was trading around 97⅞, inside the 2 per cent total fees.

SDS, the Danishbank, launched a Danish krone issue in its own name, raising DKr. 250m. The seven-year deal has a 12⅝ per cent coupon and par issue price. Fees total 1⅞ per cent.

Mismatch interest rate spreads to new fields

BY PETER MONTAGNON IN LONDON

THE MISMATCH interest rate concept, which has recently taken the floating-rate note market by storm, is spreading into other sectors of the Euromarket in the shape of a new certificate of deposit (CD) issue for Dai-Ichi Kangyo Bank and a credit for Spain's motorway company, Autopistas del Mare Nostrum.

Mismatching allows lenders to profit from the yield curve by using cheap, one-month money to fund an investment bearing interest at the higher six-month rate. Yesterday Merrill Lynch launched a $50m five-year floating certificate of deposit issue for Dai-Ichi Kangyo, the first such deal to incorporate the mismatch concept.

Dai-Ichi Kangyo is paying a margin of 1/16 per cent below the six-month London interbank bid rate (Libid) for Eurodollar deposits for its facility, but the interest rate will be reset monthly. This allows investors to fund their holding with one-month money, making a profit estimated yesterday by Merrill Lynch at ⅛ per cent.

Merrill Lynch has also joined with Manufacturers Hanover to offer a mismatch credit of between $110m and $140m to Autopistas del Mare Nostrum. This eight-year deal bears a margin of ⅝ per cent above the six-month London interbank offered rate (Libor) for Eurocurrency deposits. Again, however, the rate will be set monthly.

This is the first credit to embody the mismatch concept, and one feature is that it will offer the borrower a range of currencies, something which is impossible with a floating-rate note.

Manufacturers Hanover calculates that the mismatch benefit has historically been nearly 40 basis points for D-Mark borrowings and some 55 points for Swiss francs, both of which currencies will be used in the transaction.

Unlike the certificate of deposit issue, this credit also offers lenders protection against a change in the yield curve which could cause them funding losses. If the yield curve becomes inverted, they can lock into the full six-month rate.

Though the credit will be transferable, it will clearly be less marketable than a securities issue would be. This, together with the fact that its maturity is longer than the CD issue, necessitates the extra protection, bankers believe.

● Arab Banking Corporation and National Westminster are to be agents on the new $450m credit for Greece. As expected, the eight-year loan, which is to be raised in a mixture of dollars, Ecus and sterling, will bear a margin of ½ point for the first three years rising to ⅝ point thereafter.